

Potevio 中国普天

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

(a sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1202

2017 ANNUAL REPORT



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CORPORATE PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") is one of the largest telecommunications cable manufacturers in the People's Republic of China (the "PRC").

The Company was incorporated in the PRC on 1 October 1994 after its restructuring and has listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). China Potevio Company Limited ("China Potevio" or "CPCL"), a wholly owned subsidiary of China PUTIAN Corporation Limited ("China Putian" or "Potevio Group"), is the controlling shareholder of the Company.

The business scope of the Group is as follows:

Wires and cables, optical fibers and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State), devices and equipment technology research and development, product manufacturing, sales and services, electrical equipment technology development, transfer, consulting and related supporting services;

Design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in communities, computer network engineering and communication engineering and equipment (excluding contracted work for power facilities installation (repair & test));

Wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agent (except by auction), import and export proprietary goods and similar commodities;

Owned real estate, machinery leasing, and property management.

Registered office and office address of the Company in the PRC:

No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC

Postal Code: 611731

FINANCIAL HIGHLIGHTS

SUMMARY OF OPERATIONS

	2017	2016
	RMB'000	RMB'000
Operating income	763,966.05	1,332,288.89
Operating profit/("–" represents loss)	95,297.91	21,100.25
Share of profit/("–" represents loss) of associates	8,683.35	2,147.96
Profit/("–" represents loss) before income tax	94,259.25	25,242.42
Profit/("–" represents loss) attributable to equity holders of the Company	30,325.35	-16,103.26
Basic earnings/("–" represents loss) per share	RMB0.08	RMB-0.04

SUMMARY OF NET ASSETS

	31 December	31 December
	2017	2016
	RMB'000	RMB'000
Total liabilities	302,058.08	289,526.05
Total net assets	1,071,887.69	1,017,938.46
Total assets	1,373,945.77	1,307,464.50
Net assets per share *	RMB2.35	RMB2.28

* As at 31 December 2017, net assets per share is calculated on the basis of net assets attributable to the equity owners of the Company of RMB941,257,867.58 (31 December 2016: RMB913,457,290.73) and the total number of issued shares of 400,000,000 shares (31 December 2016: 400,000,000 shares).

CHAIRMAN'S STATEMENT



Zhang Xiaocheng
Chairman

Dear Shareholders,

I am pleased to present the annual report of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 (the “Year”) and would like to express our kind regards to all shareholders of the Company (the “Shareholders”) on behalf of the board of directors (the “Board”) and all staff of the Company.

During the Year, the Group’s profit before tax was RMB94,259,249.65 and profit attributable to Shareholders of the Company amounted to approximately RMB30,325,354.80. Basic earnings per share was approximately RMB0.08.

In 2017, under the leadership of Potevio Group, the Board and Supervisory Committee, the Company continued to adhere to the “Five Major Concepts”, the “Five Major Missions” and the spirit of a series of documents on the “1+N” reform of state-owned enterprises. It accelerated business transformation and upgrade by deepening reform, identified issues restricting development by preparing the list of issues, and enhanced the quality and efficiency by implementing rectification measures. Through such efforts, the Company achieved a positive profit attributable to the parent company for the first time in the past seven years, and accomplished the goals and tasks set at the beginning of the year in all aspects. I, on behalf of the Company, would like to express my deepest respect to all of our staff.

Although the Company exerted great efforts and also made considerable achievements on operating efficiency, industrial development and management improvement in 2017, we are clearly aware of the fact that the external environment faced by the Company is undergoing profound changes. For instance, increasing horizontal and vertical integrations have been seen in the industry, large-sized enterprises with high technology and complete industry chain gradually possess competitive advantages, showing a trend of the strong getting stronger and the weak getting weaker, and meanwhile, competitors have begun to establish presence in Southwest China. As such, the Company faces intensifying competitive pressure, opportunities and challenges arising from reform and innovation and various risks that co-exist.

CHAIRMAN'S STATEMENT

In 2018, the Company will firmly put into practice the principles of the 19th National Congress, and operates closely in line with the direction of national policies. It will grasp market opportunities by taking advantage of its status as a state-owned enterprise and enhance its competitiveness to better cope with the competition in the industry. The Company will adhere to the five major development concepts of “innovation, coordination, green operation, mind-opening and sharing” and implement the five major missions of “capacity reduction, inventory depletion, deleveraging, cost lowering and shoring up weak spots”. The Company will strive for consistent earnings by committing to reform and innovation, furthering business transformation, and enhancing quality and efficiency. Under the principle of driving growth by business and resources, the Company will be transformed from a manufacturer into a manufacturing + service-type enterprise. By focusing on the implementation of the “Broadband Strategy”, the Company will seek business opportunities in information consumption and construction to expand its business scope, and will gradually improve the optical telecommunication industry chain to vigorously develop its optical telecommunication industry. The Company will seize investment opportunities arising from the construction of rail traffic system and other comprehensive intelligent transportation systems, and develop energy transmission cable business by focusing on rail traffic products and other professional high-end products. The Company will also seize opportunities arising from new urbanization development projects in western China such as Chengdu-Chongqing City Group construction and smart city construction, and develop smart electrical business in western China by leveraging favourable local policies. The Company will use the resources currently available in the zone to develop it into an important innovative industrial park among all industry parks in the High-tech West Zone.

The year 2018 will mark the 60th anniversary of the Company, and in order to welcome the 60th anniversary of the Company with better operating results, we will, under the guidance of China Potevio and the Board of the Company, make concerted and collective efforts to courageously forge ahead, ensure the thorough completion of various work arrangements and strive to accomplish all the objectives and tasks, so as to promote the sustained development of the Company.

Lastly, I, on behalf of the Board, would like to take this opportunity to express my gratitude to all Shareholders and staff of the Group for their support and trust in the Company throughout the Year.

Zhang Xiaocheng

Chairman

23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF PRINCIPAL BUSINESS

I. Information about major operations

During the Year, the Company continued to adhere to the essence of the “Five Major Concepts” and “Five Major Missions” promulgated by the Central Committee of the Communist Party of China (“CPC”) and the State Council as well as the state-owned enterprise reform “1+N” and other series of documents. It accelerated business transformation and upgrade by deepening reform, identified issues restricting development by preparing the list of issues, and enhanced quality and efficiency by implementing rectification measures. The objectives and tasks set at the beginning of the Year were all accomplished.

1. Optical telecommunication business

During the Year, benefiting from sustained development of the optical market and full capitalization of the market opportunities, the Company recorded a significant growth for its optical telecommunication business. On one hand, the production capacity of the optical telecommunication business was effectively enhanced following the completion and operation throughout the Year of the new optical production lines introduced in the Previous Year; on the other hand, the marketing of new products with higher gross profit margin went smoothly.

2. Copper cable business

In order to make unified planning of utilization of resources and achieve coordinated development, the Company adjusted its production business by consolidating its rail cable business to Chengdu Zhongling.

3. Other business

In order to foster new growth drivers and as required by the supervisory committee of SASAC in the Company and the Potevio Group, the Company launched the Innovation and Entrepreneurship Park Initiative in the second half of 2017 which will help transform the Company from a manufacturer into a manufacturing + service-type enterprise through economic growth in the Park. After numerous communications with the Economic and Trade Development Bureau, Planning and Construction Bureau, Investment Services Bureau, Electronic Information Industry Bureau and other government departments of Chengdu High-tech Industrial Development Zone as well as learning from the Management Committee of Chengdu Innovation and Entrepreneurship Demonstration Base and the West-zone Science and Technology Park of UESTC, the Company has set up a park planning working team to be responsible for the overall planning of the existing park and the construction on the idle lands.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Further improving management to raise management and control standard

The Company applied new concepts to improve its management. Continuous efforts were made to enhance its professional and standardized management ability to ensure the sustainable and healthy development of its production and operation.

1. Preparing the list of issues to enhance the quality and efficiency as well as reform and development of the Company.

As required by the supervisory committee of SASAC in the Company, the Company has prepared the list of issues from February 2017, which comprised three major categories including implementation of the major decisions of the Central Committee of the CPC and the State Council, corporate operation and management and corporate Party construction. Pursuant to the requirement of “taking actions immediately after notice and making prompt rectifications”, the Company set up rectification groups with respect to major issues, namely innovative operation, reducing the “Two Funds”, loss-making enterprises governance, and disposal of inefficient and ineffective assets, in order to carry out rectification measures immediately with respect to the issues. Since the second half of 2017, eight rectification resolutions were passed by the Party Committee, Board of Directors and Office of General Manager, including resolutions on “capacity reduction, inventory depletion, deleveraging and cost lowering”, loss-making enterprises governance, stepping up efforts in disposal of inefficient and ineffective assets, accelerating the resolution of historical issues, strengthening centralized management of funds, further strengthening centralized management for procurement and tendering, innovative operation, and abolishment, revision and formulation of regulations and rules, which specified the rectification objectives, measures, obligations, assessment, accountability and commitments for each major issue and required the rectification work be carried out as planned.



MANAGEMENT DISCUSSION AND ANALYSIS

2. Optimizing informatization construction to improve level of informatization.

During the Year, the Company pushed forward the full coverage of informatization management, established management standards and optimized workflow. The quality and efficiency of production was enhanced by strengthening real-time data management of manpower, financial and material resources through information systems. A decision-making analysis system was established to provide the Company with decision-making analysis results by generating summarized and comparative budget statements and financial statements with data extracting from Yonyou, Join-cheer and other financial budgeting software. In order to facilitate the process of inquiry and handling of work affairs, an online mobile application named Chenglan Yunshang (成纜雲商) was launched by the Company, which is comprised of several modules including work plan, OA office and decision-making analysis.

3. Putting more efforts in reducing the “Two Funds” and designating the responsibilities of reducing the “Two Funds”.

During the Year, the Company set up a special group for reducing the “Two Funds”. In March 2017, a meeting was convened to initiate the reduction in the “Two Funds”. The departments prepared the data of the “Two Funds” and formulated measures to reduce the “Two Funds”. The Company started to reduce the “Two funds” in May 2017, during which period the Company also made amendments to the Accounts Receivable Management System and verified the status of collecting accounts receivable every month. More efforts were made in inventory disposal.

4. Strengthening strategic investment management by placing Putaifeng into liquidation.

Putaifeng has been in a loss-making position since its establishment. The investigation results from our internal audit and post-investment evaluation on Putaifeng in the first half of 2017 indicated that Putaifeng had recorded substantial losses and it was difficult for it to make a turnaround within a short period. After negotiation with the other two shareholders of Putaifeng, we decided to place Putaifeng into liquidation. We prepared a new feasibility study report on acquisition of equity interests of Shuangliu Heat Shrinkable Product Plant and future development of the industry, and signed the transfer agreement at the end of 2017. During the Year, by strengthening strategic planning and research, the Company completed the preparation of its ten-year (2017-2026) strategic planning and the first draft of its three-year rolling plan.

5. Regulating procurement and tender and strengthening centralized procurement management.

During the Year, in order to further improve procurement management and strengthen centralization of procurement management, the Company established a procurement center which worked with the audit, supervision and legal affair department in the same office. The Centralized Procurement Management System was formulated, which provided for the centralized procurement plans of the office supplies, low-value consumables, computers and consumables, labor protection appliance, property insurance and productive materials under centralized procurement of the headquarters and the holding companies of the Company. Meanwhile, in order to strengthen the internal control of the procurement and payment for the Company’s materials, plug loopholes in procurement and mitigate procurement risks, the Company formulated the Procurement and Payment Internal Control System.

6. Implementing performance appraisal on all employees in all aspects to fully motivate employees.

During the Year, the Company further developed its performance appraisal system targeted at all employees, which became more complete and scientific. Pursuant to the performance management measures, remuneration and incentive measures and other requirements of the Company and according to the principle of assessment by categories, operational entities and functional departments were given with different appraisal indicator weights. The departments of the Company formulated their own annual and quarterly targets based on the annual target of the Company and taking into account the strategic planning, management diagnosis and special work on the list of issues of the Company. These targets once being considered and approved at the meetings of the Company were used as the bases of performance appraisal for the Year. A scientific and sound appraisal system links the remuneration of all employees with the performance of the departments they belonged to and the Company as a whole, thus motivating the working enthusiasm of all employees more effectively.

MANAGEMENT DISCUSSION AND ANALYSIS

7. Further promoting internal control and improving risk management and control

The Company strengthened overall risk management and took serious measures to internal control system establishment. The Company took rectification measures with respect to the issues identified in the special audit on the internal control system and in turn took this opportunity to enhance its management on the internal control system. By carrying out a comprehensive examination on the risk management and internal control system, the Company prepared, amended and published the Chengdu Putian Internal Control Manual on the basis of the original system of the Company. As for internal audit, the Company carried out a total of five internal audit programs, including 3 special audits, 1 performance supervision and 1 off-office audit. The Company strengthened management of related party transactions by amending the Related Party Transaction Management System, enhancing and regulating the duties and responsibilities of the operating units and the functional departments of the Company. Meanwhile, the related-party transaction report was prepared and published on a quarterly basis. Training programs on requirements on related-party transactions under the Listing Rules were also provided to ensure the related-party transactions carried out by the Company complied with the requirements of the stock exchange.

8. Enhancing the development of sales team and further developing the sales platform

More efforts were made in enhancing the development of team at our sales center. Our staff was provided with different training programs in light of changes in the product mix of the Company in order to meet the requirements of new business and new circumstances in the market. Due to our efforts in the past year, the sales ability of our sales team was improved significantly. Meanwhile, risk management and control was conducted on the sales business in strict compliance with the requirements of the Company. Products delivered pursuant to a sales contract were verified in accordance with the terms of the contract before delivery, while products delivered without a sales contract were verified in accordance with the line of credit granted by each business department.

9. Strengthening Party organization construction to enable Party organization to play the core role

The Company carried out learning and education activities on “Two Studies, One Action (兩學一做)” in an intensive way to promote the normalization and institutionalization of the ideology and politics construction of the Party. During the Year, the incorporation of Party-building work into the Articles of Association ensured its statutory footing in corporate governance. The Rules of Procedures for Committee Meetings of Chengdu Putian Telecommunications Cable Company Limited was promulgated, which provided that the Party organization shall first make discussion about any major issue before the Board and management make any final decision on the issue. Following the convening of the 19th National Congress of the CPC, the Company publicized and put into practice the principles of the 19th National Congress through various channels and in various forms. The Company opened a WeChat Official Account called “Chengdu Putian” to push notifications, which achieved the integration of new and old media.

10. Other management works being carried out in an orderly and efficient manner

The Company persisted in technological innovations. During the Year, the Company obtained three patents on new utility models and strived for government incentives by making project applications. The Company continued to improve its QEHS management system and planned and communicated the integration of the quality management system according to the needs of its subsidiaries.

The Company strengthened safety production management. The Company enhanced safety production inspections, further implemented the regulations, systems and measures regarding safety production and continued to optimize the long-term mechanism for safety production. The Company also formulated a new Safety Production Management Internal Control System and put such system into trial operation. Safety inspections were conducted every month.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB763,966,053.96, representing a decrease of 42.66% as compared with RMB1,332,288,885.28 for the year ended 31 December 2016 (the "Previous Year"). The decrease in turnover was mainly due to the consolidation of turnover of Putian Fasten Cable Telecommunication Co., Ltd. into the Group has been terminated since 2 December 2016.

During the Year, the turnover of the Company was RMB235,815,494.74, representing an increase of 8.89% as compared to the corresponding period of the Previous Year. Chengdu SEI, a company in which the Company owns 60% equity interest, recorded a turnover of optical fiber of RMB368,917,978.19, representing an increase of 33.10% as compared to the corresponding period of the Previous Year. CMRC, a company in which the Company owns 96.67% equity interest, recorded a turnover of wire feed cable of RMB99,882,097.90, representing an increase of 164.22% as compared to the corresponding period of the Previous Year.

Profit of the Group attributable to equity holders of the Company for the Year

The profit of the Group attributable to equity holders of the Company for the Year amounted to RMB30,325,354.8, while a loss of the Group of RMB16,103,263.89 was attributable to equity holders of the Company for the Previous Year.

RESULTS ANALYSIS

As at 31 December 2017, the Group's total assets increased by 5.08% to RMB1,373,945,770.47, as compared with RMB1,307,464,502.69 as at the end of the Previous Year, of which current assets totaled RMB899,003,986.51, accounting for 65.43% of the total assets and representing an increase of 10.62% as compared with RMB812,704,612.23 as at the end of the Previous Year. Property, plant and equipment totaled RMB263,666,221.68, accounting for 19.19% of the total assets and representing a decrease of 10.34% as compared with RMB294,068,051.58 as at the end of the Previous Year.

As at 31 December 2017, the Group's total liabilities amounted to RMB302,058,079.85; total liability-to-total asset ratio was 21.98%; bank and other short-term loans were RMB7,409,015.78, which increased by 0.44% as compared with RMB7,376,797.32 as at the end of the Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2017, the Group's bank deposits and cash totaled RMB502,739,979.20, representing an increase of 30.24% as compared with RMB386,016,134.79 as at the end of the Previous Year.

During the Year, the Group's selling expenses, administration expenses and finance expenses amounted to RMB19,357,239.02, RMB71,740,458.40 and RMB-4,689,260.71 respectively, representing a decrease of 68.18%, a decrease of 45.59% and a decrease of RMB10,072,148.56 respectively as compared with RMB60,839,009.30, RMB131,851,623.37 and RMB5,382,887.85 respectively in the Previous Year. The decreases in the three items were mainly due to the consolidation of turnover of Putian Fasten Cable Telecommunication Co., Ltd. into the Group has been terminated since 2 December 2016.

As at 31 December 2017, the Group's account receivables and bill receivables amounted to RMB122,868,157.43 and RMB98,266,619.18 respectively, representing an increase of 29.40% and a decrease of 4.12% respectively as compared with RMB94,950,926.96 and RMB102,488,405.74 respectively as at the end of Previous Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Capital Liquidity

As at 31 December 2017, the Group's current assets amounted to RMB899,003,986.51 (2016: RMB812,704,612.23), current liabilities were RMB230,248,659.24 (2016: RMB214,452,184.49), the annual receivables turnover period was 51.32 days and the annual inventory turnover period was 82.68 days. The above data indicates that the Group has strong short-term solvency and a relatively high turnover of accounts receivable and inventories.

Analysis of Financial Resources

As at 31 December 2017, the Group's bank and other short-term loans were RMB7,409,015.78. As the Group had comparatively sufficient bank deposits and cash of RMB502,739,979.20, the Group does not have short-term solvency risk.

Non-current Liabilities or Loans

As at 31 December 2017, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB7,409,015.78 (equivalent to EUR949,593.81). The loan is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is an instalment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is relatively small, there is no material impact on the operations of the Group.

Capital Structure of the Group

The Group's capital is derived from its profit, proceeds raised, bank and other loans and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised proceeds has strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group has also paid attention to avoiding high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

Liquidity and Source of Funds

During the Year, the Group's net cash flow from operating activities amounted to RMB161,880,187.45, representing an increase of RMB123,000,168.19 as compared with RMB38,880,019.26 in Previous Year.

During the Year, the Group spent RMB28,913,873.36, representing a decrease of RMB6,630,978.63 as compared with RMB35,544,851.99 in Previous Year, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2017, the Group's liabilities and shareholders' equity amounted to RMB1,373,945,770.47 (31 December 2016: RMB1,307,464,502.69). The Group's interest expenses amounted to RMB115,291.76 for the Year (Previous Year: RMB11,096,073.96).

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In 2018, under the guidance of China Potevio and the Board of Directors and Supervisory Committee, the Company will put into practice the principles of the 19th National Congress, and operates closely in line with the direction of national policies. It will grasp market opportunities by taking advantage of its status as a state-owned enterprise and enhance its competitiveness to better cope with the competition in the industry. The Company will adhere to the five major development concepts of “innovation, coordination, green operation, mind-opening and sharing” and implement the five major missions of “capacity reduction, inventory depletion, deleveraging, cost lowering and shoring up weak spots”. The Company will strive for consistent earnings by committing to reform and innovation, furthering business transformation, and enhancing quality and efficiency.

(I) **Optimizing business structure on an ongoing basis and accelerating business transformation and upgrade**

Under the principle of driving growth by business and resources, the Company will be transformed from a manufacturer into a manufacturing + service-type enterprise. By focusing on the implementation of the “Broadband Strategy”, the Company will seek business opportunities in information consumption and construction to expand its business scope, and will gradually improve its optical telecommunication industry chain and vigorously develop its optical telecommunication industry. The Company will seize investment opportunities arising from the construction of rail traffic system and other comprehensive intelligent transportation systems, and the develop energy transmission cable business by focusing on rail traffic products and other professional high-end products. The Company will also seize opportunities arising from new urbanization development projects in western China such as Chengdu-Chongqing City Group construction and smart city construction, and develop smart electrical business in western China by leveraging favourable local policies. The Company will include its industrial park into the industrial upgrading plan of the High-tech West Zone, and use the resources currently available in the zone to develop it into an important innovative industrial park among all industry parks in the High-tech West Zone.

1. Optical telecommunication business

As major players in the optical telecommunication industry have enhanced their production capacity significantly, including the production capacity of optical wands, the pressure of short supply of optical wands may be relieved in the second half of 2018. Despite the demand for optical fibers and cables remains huge and continues to increase, the increase in the production capacity of optical fibers and cables may be greater, which may lead to a reversal in supply and demand in the market and result in a decline in the prices of optical fibers. Therefore, we need to hold a cautiously optimistic attitude towards the development of the optical telecommunication market in 2018.

In face of such situation, the Company needs to dig into and develop market segments. The Company will realize reasonable profits from business operation by implementing the strategy of marketization, product differentiation and seeking steady growth. It will also enhance its competitiveness and profitability through expanding scale of production to shore up the weak spot of small scale of production.

2. Energy transmission cable business

Focusing on specialized segments such as railway transportation construction and the local construction market of the PRC, the Company will become a key supplier in such segments as track cables. In the meantime, the Company will enhance internal management, and start optimizing product mix and improving product quality to reduce production cost and increase market competitiveness. The Company will perfect its procurement management to reduce procurement costs, and strengthen the control on various expenditures to enhance its profitability.

3. Smart electrical industry

Focusing on the household electrical products market in the southwest region and smart city construction projects, the Company will enhance its proprietary LED lighting production and system integration capabilities in stages, and gradually develop itself into a well-known smart city construction supplier in the southwest region.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Innovation industrial park

The Company will develop the park service industry by taking full advantage of its existing advantages in terms of industrial park, and transform from a manufacturer into a manufacturing + service-type enterprise. The Company will strive for the support and cooperation of the government to establish the China Potevio Innovation and Entrepreneurship Park in western China. The Company will make the Park an important innovation industrial park among the west-zone industrial parks by including the HQ Park into the industrial upgrading plan of High-tech West Zone and improving facilities and service capability.

(II) Deepening reform and innovation, as well as enhancing corporate management

The Company will strengthen its intensive operation and refined management, and improve management efficiency and operation quality, thus generating dynamic and momentum for the sustainable development of the Company.

1. Deepening enterprise reform and motivating enterprise vitality

Committing to reform and long-term development, the Company will press ahead with specific works such as enhancing quality and efficiency, pursuing leaner and healthier development, disposal of “zombie enterprises” and loss-making enterprises governance. The Company will continue to review its long-term equity investments and dispose long-term loss-making investment projects and those investment projects running against the development of principal operations.

2. Promoting refined management and improving management efficiency

Based on 62 issues on the list of issues, the Company will manage the identified issues according to rectification measures step by step. The Company will implement rectification measures focusing on implementing rectification resolutions on eight key issues as concerned by the supervisory committee of SASAC in the Company and China Potevio, i.e. commencement of specific works for “capacity reduction, inventory depletion, deleveraging and cost lowering”, loss-making enterprises governance, accelerating the disposal of inefficient and ineffective assets, accelerating the resolution of historical issues, strengthening centralized fund management, further strengthening centralized management for procurement and tendering, innovative operation, and repeal, reformation and formulation of rules and regulations. By streamlining and rectifying issues in the List of Issues, the Company will gradually realize the targets of significant improvement in asset quality, significant increase in economic benefit and more solid industry development.

On the basis of the existing budget management system, the Company will further strengthen the monthly budget control by carrying out timely analysis on budget implementation in terms of monthly and cumulative profits, income, expenses and other indicators in order to promptly identify reasons for deviation, which will provide an effective means of utilizing budgeting as guidance in production and operation. The Company will improve the utilization of China Potevio fund management system to manage all capital inflows and outflows via the system and to realize resource integration and macro deployment of funds within the Group, thus increasing the service efficiency and reducing the financing cost. The Company will strive to increase the concentration of funds and reduce the number of bank accounts. The Company will continue to facilitate its works on reducing the “Two Funds”, so as to urge its subsidiaries to reduce the asset-liability ratio and the ratio of profit to cost.

The Group will further enhance the comprehensive coverage of informatization and constantly perfect the decision-making analysis system on the existing basis. The Company will improve the informatization safety management by acquiring the related safety equipment and perfecting informatization safety management system to safeguard the system as well as the data. The Company will improve the application of mobile APPs. The Company will further improve the informatization of centralized procurement and supplier management, strengthen the standardized procurement management, implement the centralized procurement in strict accordance with relevant regulations, and establish an electronic procurement platform as planned. It will strictly implement the Bidding Management Measures (招標管理辦法) to realize a 100% acceptance rate for procurement satisfying all bidding conditions. The Company will continue to improve technology innovation and quality management system, and enhance the operation standards of new media.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Optimizing resources allocation and facilitating synergy development

The Company will improve the strategic guidance and enhance its core competitiveness in the industry. It will enhance management efficiency and optimize the resources allocation. The Company will carry out business transformation of Shuangliu Heat Shrinkable, and liquidate assets of Chongqing Putaifeng as required by the Company Law and the Articles of Association. In the meanwhile, the Company will actively seek government-funded projects.

4. Strengthening comprehensive risk management and enhancing risk control

The Company will strengthen its comprehensive risk management, thus realizing lawful operation at all levels, with all significant decisions, constitutional system and contracts being reviewed and approved in accordance with laws. The Company will establish the comprehensive risk management system covering project establishment, credit management of customers and suppliers, and dynamic execution and traceability of contracts. The Company will strictly adhere to its contract assessment procedures. The Company will adopt dynamical monitoring for issues involving significant risks. The Company will strengthen its internal audit function, and continue to improve and revise the internal control manual of the Company.

The Company will strengthen its safety production management. It will adhere to its safety works at all levels in order to prevent the occurrence of safety related accidents and ensure smooth production and operation of the Company.

By focusing on connected transaction management, the Company will ensure disclosures are made in compliance with the regulatory requirements. Each operating unit will be required to prepare a budget management for connected transactions for the coming year. The Company will strictly execute procedures for approval of connected transactions and disclose relevant information in a timely manner.

5. Improving organizational capacity and strengthening human resources management

After determining the new strategic direction, the Company will start from three aspects, namely staff mindset, staff management and staff ability, and make use of human resources approaches including assessment, rewards, organizational structure, information flow, allocation and training and development to cultivate and develop its organizational capacity. A profit-oriented performance assessment system is gradually developed to form an enhanced and scientific appraisal mechanism. Assessments of staff at all levels will also be strengthened to guarantee completion of quarterly and annual assessments in a timely manner.

6. Strengthening the Party construction and being strict with its members

Adhering to the Party discipline of practicing self-discipline and being strict with its members, the Company will improve the establishment of “learning-oriented, service-oriented and innovation-oriented” party organizations, and focus on enhancing the scientific level of the Party construction. The Company will comply with the arrangement, deployment and requirements of Putian Party group and SASAC of Chengdu, study and implement the spirits of the 19th National Congress of the CPC, and carry out learning and education activities on “Two Studies, One Action (兩學一做)” in an intensive way to promote the normalization and institutionalization. The Company will organize theme-focused education activity of “Keeping the Faith, Bearing in Mind Our Mission” (不忘初心 · 牢記使命). The Company will conduct a series of activities on its 60th anniversary ceremony to make its staff united, enhance their sense of belonging, responsibility and honor, guide them to carry forward the positive energy, to fully utilize the ability of the main workforce, thus facilitating them in contributing to the development of the Company. The Company will further strengthen the sense of politics awareness, overall situations awareness, core awareness and conformance awareness of its Party members and their lead cadres. The Company will focus on theoretical training provided to its internal Party cadres and especially those at or above the middle level in combination with the actual situation and based on their positions, so as to enhance their performance and innovation capacities in the new context of a new era. The Company will strengthen the construction of Party integrity and anti-corruption works, and adhere to the joint Party-masses development, so as to make it stable and ensure a sound development environment for the Company.

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited financial statements of the Group for the Year.

RESULTS AND DISTRIBUTION

1. The results of the Group are set out in the consolidated income statement on pages 69 to 70 of this annual report.
2. The financial position of the Group as at 31 December 2017 is set out in the consolidated balance sheet on pages 63 to 65 of this annual report.
3. The changes in equity of the Group are set out in the consolidated statement of changes in shareholders' equity on page 76 of this annual report.
4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 72 to 73 of this annual report.
5. The Company implemented a profit distribution proposal: the Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

A review of the business of the Group and its future business development and outlook are set out in the "Management Discussion and Analysis" on pages 6 to 14 of this annual report. These discussions form a part of the Report of the Directors.

REPORT OF THE DIRECTORS

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the five years ended 31 December, which were extracted from the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC, is as follows.

	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income	763,966.05	1,332,288.89	1,209,522.06	945,460.89	915,481.31
Profit/("–" represents loss) before income tax	94,259.25	25,242.42	–37,600.80	–37,180.84	7,203.94
Income tax expense/("–" represents income)	25,785.24	17,984.52	5,491.42	3,803.14	–169.26
Profit/("–" represents loss) for the Year	68,474.01	7,257.90	–43,092.22	–40,983.98	7,373.19
Of which:					
Profit/("–" represents loss) attributable to equity holders of the Company	30,325.35	–16,103.26	–40,628.30	–29,504.43	–527.22
Minority interests	38,148.66	23,361.17	–2,463.92	–11,479.55	7,900.41
Total assets	1,373,945.77	1,307,464.50	1,893,704.93	1,987,449.06	1,956,252.97
Total liabilities	302,058.08	289,526.05	612,105.56	666,532.00	561,802.66
Minority interests	130,629.82	104,481.17	350,697.12	353,161.04	392,030.52
Total net assets	1,071,887.69	1,017,938.46	1,281,599.36	1,320,917.07	1,394,450.31

PRINCIPAL ACTIVITIES

The principal activities of the Group are electric wire and cable, optical fiber and cable, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State Council of the PRC) devices and equipment technology research and development, product manufacturing, sales and service. The analysis of the Group's turnover and contribution to the operating results for the Year according to the Group's principal activities and geographical markets is set out in note XIII to the financial statements on page 165 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Based on the business nature of the Group, the audit, supervision and legal affair department of the Group carries out compliance evaluation annually to identify applicable laws and regulations on quality, environmental protection and occupational and health safety in an effort to ensure continuous compliance with relevant requirements under applicable laws and regulations.

RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

The Group strives to maintain fair and co-operating relationship with the suppliers and does not have any major supplier that has significant influence on the operations.

Relationship with customers is the fundamental of business. The Group fully understands this principle and has maintained close relationship with customers through various means to fulfil their immediate and long-term needs.

The analysis of the Group's single largest supplier, the top five largest suppliers, the single largest customer and the top five largest customers for the Year are as follows:

	Percentage (%)	
	2017	2016
Purchase		
Single largest supplier	25.03	28.14
Five largest suppliers	64.08	88.93
Sales		
Single largest customer	13.91	21.49
Five largest customers	35.85	40.89

As far as the directors (the "Directors") of the Company aware, none of the Directors or supervisors (the "Supervisors") or their respective close associates or any Shareholders holding more than 5% of the Company's share capital had any direct or indirect interests in any of the five largest suppliers or the five largest customers of the Group.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2017 are set out in note VII to the financial statements on page 149 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes V respectively to the financial statements on pages 119 to 122 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note V to the financial statements on page 132 of this annual report.

The Company did not have any proposal for bonus issue, placing of shares or issue of new shares during the Year and there was no change in the share capital of the Company during the Year and the period from 31 December 2017 up to the date of this annual report.

REPORT OF THE DIRECTORS

BANK BALANCES

Details of changes in bank balances for the Year of the Group are set out in note V to the financial statements for the Year on page 102.

UNDISTRIBUTED PROFIT FOR THE YEAR

Undistributed profit for the Year of the Group is set out in the consolidated statement of changes in shareholders' equity. As at 31 December 2017, undistributed profit distributable to shareholders is set out in note V to the financial statements for the Year on page 133.

OVERDUE TIME DEPOSITS

As at 31 December 2017, the Group did not have any deposit and trust deposit with non-banking financial institutions or time deposits that cannot be recovered on maturity.

INCOME TAX

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [2015] No. 7), the Company was recognized as a high-tech enterprise and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

Pursuant to the relevant regulations of the Administrative Methods for the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 172), Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 362) and the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [2014] No. 6), the Company's subsidiaries, Chengdu SEI Optical Fiber Co., Ltd. and Chengdu Zhongling Radio Communications Co., Ltd. were recognized as high-tech enterprises and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2017 to 2019.

RISK MANAGEMENT

The Group adheres to the principle that risk management must be in line with its strategies and serve its strategic concept while strengthening the risk classification and identification management and taking risk management as daily routine. The Group's risk management targets to seek the appropriate balance between the risks and benefits and to mitigate the effects of the risks caused on the Group's financial performance to the lowest level and maximize the interests of the Shareholders and other equity investors. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Industry competition risk

The Group faces intense competition from both state-owned enterprises and private companies in the market where the Group operates. Large-sized enterprises with high technology and complete industry chain gradually possess competitive advantages, showing a trend of the strong getting stronger and the weak getting weaker. The Group enhances its strategic development planning. The Company also makes full use of its capacity and resources as a state-owned enterprise to seize opportunities from development projects such as the establishment of private networks of governments, municipal constructions and smart road networks, in order to expand sales in projects of government networks and smart cities and conduct sales of its featured products which are safe and environmentally friendly and develop its brand in the market segments.

REPORT OF THE DIRECTORS

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Credit risk

The Group's credit risk is primarily attributable to receivables. The Group performs credit assessment on customers who use credit settlement on a continuous basis. The Company selects credible and reputable customers based on credit assessment result, and conducts ongoing monitoring on their net receivables, in order to avoid significant risks in bad debts.

Safety risk

The Group is a manufacturing enterprise. Safety risk is the probability of occurring accidents where accidents mean the events which causes casualties or major property damages. With respect to the risk control on production safety, the Company mainly increases expenditure in safety spending to improve safety facilities and labor protection measures. It also formulates a list of major hazard sources and critical environmental factors for key monitoring and strengthens safety training as well as inspection and rectification on safety hazards. It has zero tolerance to safety hazards and ensures production safety during operation according to the laws.

Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Group's interest risk relates mainly to borrowings with floating interest rate.

Human resources risk

The human resources risk of the Group mainly comprises risk of redundant employees, risk of low salaries and risk of team stability. The Company reduces the number of redundant employees on full compliance with the relevant national policies. It establishes a scientific and reasonable remuneration system in respect of efficiency, size and positions of the Company and promotes a performance-oriented concept for income distribution among its employees. It establishes a training scheme for its reserve talents and sets up a reserve talent pool by using the information system so as to provide a basis for the promotion of staff and selection of talents.

Marketing risk

The marketing risk of the Group is the risk that the Group may suffer losses caused during the process of marketing and business activities, such as loss of payment for goods, interruption of business, economic responsibility, etc. The Company manages and controls the marketing risk by adopting various measures including risk identification before carrying out businesses, risk measurement and risk control during the operation process and risk assessment upon completion of businesses.

REPORT OF THE DIRECTORS

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2017 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	192
Total number of Shareholders	193

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, the largest Shareholder was China Potevio, holding 240,000,000 issued state-owned legal person shares, and representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 155,958,999 H Shares of the Company, representing 38.99% of the total issued share capital of the Company. At the end of the Year, HKSCC held 155,956,999 H Shares of the Company, representing 38.99% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance ("SFO"), the Group was notified by the Shareholders holding 5% or more of the Company's issued H Shares. The interests, other than those held by Directors, Supervisors and chief executives of the Company, are disclosed below.

As indicated by HKSCC, as at 31 December 2017, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total number of H Shares issued:

CCASS participant	Number of H Shares held at the end of the Year	Percentage of H Shares	Percentage of total issued share capital
The Hongkong & Shanghai Banking Corporation Limited	16,563,000	10.35%	4.14%
Bank of China (Hong Kong) Limited	13,260,000	8.28%	3.32%
BOCI Securities Limited	9,837,000	6.14%	2.46%

Saved as disclosed above, as at 31 December 2017, the Company was not aware of any other shareholding interests which were required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the issued H Shares of the Company.

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each director, the Company has confirmed that the public have held sufficient shares during the Year and as at the date of this report.

DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors are as follows:

Executive Directors

Zhang Xiaocheng
Wang Micheng
Wang Feng (resigned on 13 January 2017)
Han Shu
Xu Liying
Liu Yun (appointed on 13 January 2017)
Fan Xu

Independent Non-executive Directors

Choy Sze Chung, Jojo (resigned on 31 January 2018)
Mao Yaping (appointed on 13 April 2018)
Xiao Xiaozhou
Lin Zulun

Supervisors

Zheng Zhili
Xiong Ting
Dai Xiaoyi (resigned on 27 July 2017)
Liu Jun (appointed on 27 July 2017)

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. Directors

Executive Directors

Mr. Zhang Xiaocheng, aged 60, a master's degree holder, has a master's degree in business administration and is a senior economist. He is an executive Director and the chairman of the eighth session of the Board of the Company. He was previously the director of the industrial economic research division of the Research Institute of Economics (經濟研究所) of Da Lian College of Economics and Management (大連經濟管理學院), the office secretary, the secretary to the general manager, the deputy director of office and the director of the research centre of Posts and Telecommunications Ministry of China (the predecessor of China PUTIAN Corporation), the assistant to the factory manager and assistant factory manager of Xian Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), the general manager of the corporate management department and the capital operation department of China PUTIAN Corporation, the assistance to the president, the general manager of the comprehensive management department, the general manager of the human resources department and vice president of the China Potevio Company Limited, the Director of the second, fifth, sixth and seventh sessions of the Board of the Company, and the chairman of the third and fourth sessions of the Supervisory Committee of the Company. Mr. Zhang joined the Company in October 1997 and has more than twenty years of extensive experience in corporate investment and operation management.

REPORT OF THE DIRECTORS

Mr. Wang Micheng, aged 51, a master's degree holder, has a master's degree in Business Administration from China Europe International Business School and a bachelor's degree in Arts from Hangzhou University. He is currently an executive Director and chairman of the eighth session of the Board and general manager of the Company, a director, vice chairman, general manager and secretary of the party committee of Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司), and concurrently serves as an executive director (legal representative) of Putian Intelligent Lighting Research Institute Co., Ltd. (普天智能照明研究院有限公司). Since August 1988, Mr. Wang served at Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司) as secretary to general manager, deputy manager of the marketing department, deputy manager of the public relations department, office director and manager of the marketing department, assistant to general manager and office director, manager of the public relations department, deputy general manager and manager of the plastic business department, and executive deputy general manager and manager of the plastic business department. Mr. Wang has over twenty years of extensive experience in corporate management.

Mr. Han Shu, aged 54, a master's degree holder, has a bachelor's degree in Engineering from Nanjing University of Posts and Telecommunications and a master's degree in Engineering from Beijing University of Posts and Telecommunications. He is currently as an executive Director of the eighth session of the Board of the Company, a general manager of business department I of China Potevio Company Limited and a director of Nanjing PUTIAN Telecommunications Company Limited (a B share listed company on Shenzhen Stock Exchange with a stock code of 200468). Mr. Han was previously a technician at the second workshop of Xi'an Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), an engineer and the deputy director of head office Xi'an Posts and Telecommunications Equipment Factory Machine Branch (西安郵電通信設備廠整機分廠), deputy factory manager, factory manager and secretary of the party committee of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠) and the deputy general manager of communication business department and general manager of marketing department I of China Potevio Company Limited. Mr. Han has over twenty years of extensive experience in communication and information technology.

Ms. Xu Liying, aged 47, a master's degree holder, has a bachelor's degree in Economics from Hangzhou College of Commerce and a master's degree in Economics from Shanghai University of Finance and Economics. She is currently an executive Director of the eighth session of the Board of the Company and the general manager of the finance department of China Potevio Company Limited, and concurrently serves as a supervisor and the chairman of the supervisory committee of Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京普天太力通信科技有限公司), a supervisor and the chairman of the supervisory committee of Beijing Capitel Co., Ltd. (北京首信股份有限公司), and a supervisor and the chairman of the supervisory committee of Hangzhou HONYAR Electrical Co., LTD (杭州鴻雁電器有限公司). Ms. Xu was previously a cost accountant of finance department, general ledger accountant and the deputy head of finance division of Hangzhou Alkali Pump Factory (杭州鹼泵廠), cost accountant of finance department, general ledger accountant, finance manager of subsidiaries, senior audit executive of internal audit department, audit manager and the general manager of audit department and office director of supervisory committee of Eastern Communications Co., Ltd. (東方通信股份有限公司), the manager of audit department and manager of accounting department of Beijing Teamsun Technology Co., Ltd. (華勝天成科技股份有限公司), the chief accountant and general manager of finance department of Kunhe Real Estate Corporation Limited (坤和房地產集團有限公司) and the general manager of corporate management department of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司). Ms. Xu has extensive experience in financial management and internal control management.

Ms. Liu Yun, aged 44, a master's degree holder, has a master's degree in Economics (majoring investment economics) from Central University of Finance and Economics. She is currently the deputy general manager of Business Development Department of China Potevio Company Limited, and concurrently serves as a director of Shanghai Putian Kechuang Electronics Co., Ltd. (上海普天科創電子有限公司), Puxing Mobile Tech Company Limited (普興移動通訊設備有限公司), Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司) and Putian Logistics Technology Co., Ltd (普天物流技術有限公司). Ms. Liu had served as general manager assistant of the Investment Department of China National Textiles Import & Export Corporation, general manager assistant of Chinatex International Apparel Co., Ltd., finance director of the Preparatory Office of Infolex LLC Beijing Office and the investment management supervisor and investment management manager of Enterprise Development Department of China Potevio Company Limited. Ms. Liu has extensive experience in finance, economic management and investment.

REPORT OF THE DIRECTORS

Mr. Fan Xu, aged 42, a master's degree holder, holds a master's degree in management engineering and science from Tsinghua University. He is currently an executive Director of the eighth session of the Board of the Company, the deputy general manager of strategic investment and financing management department of China Potevio Company Limited, and the vice chairman and a deputy general manager of Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司), and concurrently serves as a director of China Potevio PolyPay Co., Ltd. (普天銀通支付有限公司). Mr. Fan served as the investment management director of capital operation department, senior investment management director of corporate development department and equity investment and financing manager of investment and financing development department of China Potevio Company Limited. Mr. Fan joined the Company in February 2012 and has extensive experience in economic analysis and capital operation.

Independent Non-executive Directors

Ms. Mao Yaping, aged 51, holds the Certificate of Certified Public Accountants, the Certificate of Expert Reviewer Qualification of Sichuan Province, the Certificate of Expert Reviewer Qualification of Sichuan Provincial Government and the Certificate of Senior Consultant. She is an independent non-executive director of the eighth session of the Board of the Company. She serves as the legal representative and the CPA-in-chief of Sichuan Xieyi Accounting Firm (四川協誼會計師事務所). She has been engaged by the People's Government of Sichuan Province as an expert for engineering and economics and PPP projects. She has been engaged by Sichuan Provincial Finance Department as an expert for economics. Ms. Mao has presided over and accomplished various accounting, auditing, financial and economic analysis, research on regional economy, industry development planning and engineering and construction consultation in Sichuan Province and Chengdu. Ms. Mao has extensive experience in financial, economics and management and project review. Ms. Mao joined the Company on 13 April 2018.

Mr. Xiao Xiaozhou, aged 64, has a bachelor's degree in engineering from Southwest Jiaotong University. He is an independent non-executive director of the eighth session of the Board of the Company. Mr. Xiao served as the deputy chief engineer, the head of production department and the deputy factory head of Liu Zhou Locomotive and Rolling Stock Factory (柳州機車車輛廠), the senior engineer of the operation and sales department of China National Railway Locomotive & Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司), the head of the marketing department and the marketing and sales division, the general manager of the truck business division and the deputy chief economist of CSR Corporation, the chairman of the board of directors of CSR Investment & Leasing Co. Ltd. (南車投資租賃有限公司) and the assistant to the president of CSR Corporation Limited. Mr. Xiao has over 40 years of experience in business management, production management and marketing management. He was an independent non-executive Director of the seventh session of the Board of the Company. Mr. Xiao joined the Company on 31 July 2013.

Mr. Lin Zulun, aged 67, obtained his bachelor's degree from the University of Electronic Science and Technology of China (電子科技大學) (the "UESTC") specializing in display technology, and is currently a professor at the UESTC engaging in the study of technology in optoelectronics and electronics. He has previously held various positions at the UESTC, including assistant professor, assistant engineer, engineer and senior engineer, and has also been granted special subsidy from the State Council of the People's Republic of China (中華人民共和國國務院特殊津貼) as recognition for his professional contributions to the science and technology industry. From 2002 to 2005, he had worked as the chief engineer of Chengdu Chengdian Zhengyuan Limited* (成都成電正元股份有限公司). In his career development, Mr. Lin has been engaging in a wide range of science and technology sectors, including but not limited to optical imaging technology (光電成像技術), electron and ion technology (電子與離子技術), display technology (電子束顯示技術), projection display technology (投影顯示技術), organic electroluminescent flat panel display technology (有機電致發光平板顯示技術), field emission technology (場致發射技術), thermal electron emission technology (熱電子發射技術) and other related technologies. Mr. Lin has been engaged in more than 30 research projects in technology spanning across provincial and national levels and has won a total of 10 awards for his projects. His national awards include runner-up for the Second Class Award for the State Technological Invention Award (國家技術發明獎) and the National Science and Technology Progress Award (國家科技進步獎) and most of his awards are the highest honors of the People's Republic of China in the technology sector. Mr. Lin joined the Company on 4 February 2016.

REPORT OF THE DIRECTORS

Independence of Independent Non-executive Directors

The Company has received annual written confirmation of independence from all independent non-executive Directors under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Service Contracts of Directors

Each of the existing Directors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years commencing from 12 November 2015 to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2018. Mr. Lin Zulun has also entered into a service contract with the Company, with a term commencing from 4 February 2016 to the expiry date of the term of the eighth session of the Board. Ms. Liu Yun has also entered into a service contract with the Company, with a term commencing from 13 January 2017 to the expiry date of the term of the eighth session of the Board. Ms. Mao Yaping has also entered into a service contract with the Company, with a term commencing from 13 April 2018 to the expiry date of the term of the eighth session of the Board. The Directors' remuneration includes salary, bonus, allowance and other benefits including pension.

Save as disclosed above, no Director has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

2. Supervisors

Mr. Zheng Zhili, aged 58, is a Party member, the team leader of the Discipline Inspection Commission and the chief legal advisor of China PUTIAN Corporation Limited, and concurrently serves as the secretary to party committee of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司) and a supervisor of Putian New Energy Co., Ltd. (普天新能源有限責任公司). Mr. Zheng served as the secretary and a regimental officer of the office of political department of the Commission of Science Technology and Industry for National Defense, a supervisor at department level and deputy director of the office of supervisory bureau under the Discipline Inspection Commission of the State Economic and Trade Commission, the deputy director and a discipline inspector at deputy bureau chief level of the office of supervisory bureau of the discipline inspection commission of the State-owned Assets Supervision and Administration Commission of the State Council and the chairman of labor union of China PUTIAN Corporation. He was a Supervisor of the seventh session of Supervisory Committee of the Company. Mr. Zheng joined the Company in November 2012 and has extensive experience in corporate management and audit supervision.

Mr. Xiong Ting, aged 55, obtained a bachelor's degree in university. He is the Supervisor of the eighth session of the Supervisory Committee, the deputy secretary of the party committee, the secretary of the Disciplinary Commission and a chairman of the labor union of the Company. Mr. Xiong served as the secretary of the league committee, the factory manager of the branch factory and the director of the office of Chengdu Cable Factory of the Ministry of Posts and Telecommunications (郵電部成都電纜廠), assistant to general manager of the Company, manager of the supplier company and supervisor of the fifth, sixth and seventh sessions of the Supervisory Committee of the Company. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate administrative management.

Mr. Liu Jun, aged 48. Mr. Liu graduated from Chengdu Radio and Television University with a College degree in property management. He is an assistant engineer. Mr. Liu currently is a deputy manager of the comprehensive management office, director of the Party-Masses Work Department and the vice chairman of the labor union of the Company. Mr. Liu joined the Company in August 1990, and served as a technician, assistant engineer and factory assistant of power plant, assistant manager of the property management department and the deputy director of Party-Masses Work Department. Mr. Liu was democratically elected by the staff of the Company at the labor congress as a staff representative Supervisor of the eighth session of the Supervisory Committee of the Company.

REPORT OF THE DIRECTORS

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years commencing from 12 November 2015 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2018. Terms of office of all Supervisors are renewable for re-election or reappointment upon expiration.

Save as disclosed above, none of the Supervisors have entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

3. Company Secretary

Mr. Shum Shing Kei joined the Company on 1 August 2017. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

4. Senior Management

Mr. Hu Mingde, aged 51, completed university education and is the deputy general manager of the marketing department of the Company. Mr. Hu joined the Company in 1990. He served as manager of sales department and manager, assistant to general manager and a deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

Ms. Yu Qian, aged 49, a postgraduate, is the Chief Financial Officer of the Company. Ms. Yu joined the Company in November 2011, and was once the Chief Financial Officer of Chengdu SEI (a large optical fiber manufacturer in the PRC, which is affiliated to the Company). Ms. Yu is well experienced in financial supervision in the communication industry and is familiar with the financial position of the Company and the management and operation of stock companies.

Mr. Liu Wenzao, aged 51, a bachelor's degree holder, has a bachelor's degree in electrical insulation and cable engineering from Xi'an Jiaotong University. He is currently a deputy general manager of the Company and the general manager of Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company. He has over 20 years of experience in the optical telecommunication industry.

REPORT OF THE DIRECTORS

ENVIRONMENT, EMPLOYEES AND SOCIAL RESPONSIBILITY

Environmental Protection

The Company has established an environmental management system in accordance with the GB/T 24001–2004 (idt ISO 14001:2004). Adhering to the principle of “care for environment”, the Company has identified and evaluated environmental factors and dangerous sources based on the Evaluation and Control Procedures for Environmental Factors and the Evaluation and Control Procedures for Identification of Dangerous Sources. In compliance with laws and regulations, the emission of waste met the relevant requirements. Incidents such as pollution, fire, explosion, electric shock and traffic accidents were prohibited and energy and resources were saved under the requirements of the system. The environmental management system continued to operate effectively.

Employees

In strict compliance with laws and regulations including the Labor Law and the Labor Contract Law of the PRC, the Group has entered into labor contracts with all staff and contributed to the social insurance for staff. Sexual or racial discrimination, child labor and forced labor are prohibited, and remunerations for all male and female staff are solely based on their positions. To protect the rights to participate, express opinions and supervise of our staff, the Company has established a democratic management system with labor congress and labor union as the core. All employees are encouraged to report to the Company at any time for any non-compliance incidents such as employment of child labor and forced labor during the course of recruitment and operation.

Staff and Remuneration Policy of the Group

As at 31 December 2017, the Group had 979 staff members.

The Group has formulated Measures for Employee Performance Management of the Company (《公司員工績效管理辦法》), Measures for Performance Management of Managers (grade III and above) of the Company (《公司三級以上經理績效管理辦法》) and Measures for Remunerations and Incentives Management (《薪酬激勵管理辦法》) and Measures for the Work Plan System Management (《工作計劃系統管理辦法》), by which the Group has established a complete remuneration system and specified the remuneration structure, remuneration standards and remuneration management, etc. Employees are remunerated based on their position levels, working ability and performance levels, and they are awarded with performance bonus and remuneration adjustment according to their results of performance assessment. Other benefits offered to the staff include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides technical trainings to its staff.

Retirement Benefits Plans for Employees

According to the “Labor Law of the People’s Republic of China” and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labor force for some reasons. The Company and its subsidiaries will then be no longer responsible for providing further retirement benefits to the employees.

Basic Medical Insurance Scheme for Employees

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Company made a total contribution amounting to approximately RMB2.91 million in the Year (2016: RMB2.41 million). The Board believes that the participation in the basic medical insurance scheme for employees did not have any significant impact on the financial position of the Company.

REPORT OF THE DIRECTORS

Social Responsibility

During the Year, the Company strictly complied with relevant laws, regulations and policies. In particular, the Company paid all taxes in a timely manner, duly fulfilled its responsibility of energy-saving and emission reduction and achieved energy-saving and emission reduction targets. The Company adopted strict accountability for production safety and allocated extra resources to maintain safe production to prevent material safety incidents. The Company also entered into and fulfilled labor contracts with employees in accordance with the law and fully paid social insurance on time. The annual student subsidy offered by Chengdu SEI, a subsidiary of the Company, amounted to RMB30,000 (2016: RMB30,000).

MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed "Continuing Connected Transactions" in this report, there were no transactions, arrangements and contracts of significance relating to the Company's business (to which the Company or any of its subsidiaries was a party) in which any Director or Supervisor or their associated entity had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the Year, none of the Directors nor Supervisors have any interests in a business which directly or indirectly competes or may compete with the business of the Company (excluding the Company's business) and is discloseable under the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

As at 31 December 2017, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as the same also applicable to Supervisors).

SHAREHOLDING OF DIRECTORS AND SUPERVISORS

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debentures of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and Supervisors, their spouses or children under 18 years old was granted rights to purchase share capital or debentures of the Company or any of its associated corporations and there was no exercise of such rights by any of the said persons.

REPORT OF THE DIRECTORS

PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS

At no time during the Year was the Company or any of its subsidiaries, holding companies or any fellow subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details about the remuneration of Directors, Supervisors and Senior Management are set out in note X to the financial statements on pages 160 to 162 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals in the Group during the Year are set out in note X to the financial statements on page 162 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note V to the financial statements on page 130 of this annual report.

PLEDGE OF ASSETS

During the Year, owing to sufficient working capital for production and operation, the Group did not obtain any new loan from banks which was secured by the Group's assets (2016: the Group did not obtain any loan from banks which was secured by the Group's assets).

As of 31 December 2017, the Group did not pledge any land use right as security (2016: Nil).

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the "Articles of Association") and the Company Law of the PRC, there are no pre-emptive rights which require the Company to offer new shares of the Company to the existing Shareholders in proportion to their respective shareholdings.

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT ENTITLEMENTS

During the year ended 31 December 2017, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained liability insurance for the Directors and Senior Management for possible legal liabilities arising from their performance of duties, so that they are secured harmless against all actions, costs, losses, damages and expenses which they may incur or sustain arising from any act of execution of their duties in the Company.

Significant Events

1. Continuing connected transactions

The following connected transactions of the Company are subject to the requirements relating to reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules. Details of these transactions are set out in the announcement dated 25 September 2015, a supplementary circular dated 12 October 2015, the announcement dated 29 April 2016, the circular dated 25 May 2016 and the announcement dated 19 May 2017. On 12 November 2015 and 24 June 2016, these transactions were passed by way of ordinary resolutions at the 2015 first extraordinary general meeting and 2015 annual general meeting of the Company.

Potevio Framework Sales Agreement

On 25 September 2015, the Company entered into the Potevio Framework Sales Agreement for a term of three years commencing from 1 January 2015, in respect of the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to Potevio Group (including its subsidiaries but excluding the Group for the purpose of this section).

China Potevio is the controlling shareholder of the Company and a wholly-owned subsidiary of Potevio Group. Therefore, transactions between the Group and the Potevio Group constitute connected transactions of the Company under the Listing Rules.

The principal terms of the Potevio Framework Sales Agreement are as follows:

Date	:	25 September 2015
Parties	:	The Company and China PUTIAN Corporation
Subject matter	:	The Group shall supply wire, cables, optical fibers, telecommunication components and parts to Potevio Group based on the requirements and demands of Potevio Group from time to time during the tenure of the Potevio Framework Sales Agreement
Tenure	:	1 January 2015 to 31 December 2017

The selling prices of the wire, cables, optical fibers, telecommunication components and parts sold by the Group to the Potevio Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered by the Group to its other independent customers with similar transaction volume and to be agreed between the parties.

The annual caps under the Potevio Framework Sales Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB150.0 million, RMB149.5 million and RMB171.9 million, respectively.

On 29 April 2016, the Company and China PUTIAN Corporation entered into the Supplemental Agreement to revise the existing annual caps to the revised annual caps.

REPORT OF THE DIRECTORS

The principal terms of the Supplemental Agreement are as follows:

Date	:	29 April 2016
Parties	:	The Company and China PUTIAN Corporation
Subject matter	:	The Company and China PUTIAN Corporation have agreed to revise the existing annual caps to the revised annual caps under the Potevio Framework Sales Agreement, subject to the independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Potevio Framework Sales Agreement shall remain unchanged.

The existing annual caps and the revised annual caps for the two years ending 31 December 2016 and 2017 respectively are set out in the table below:

For the year ending 31 December 2016 (in RMB million)		For the year ending 31 December 2017 (in RMB million)	
2016	2016	2017	2017
existing annual cap	revised annual cap	existing annual cap	revised annual cap
149.5	350.0	171.9	325.0

During the year ended 31 December 2017, the aggregate payment received by the Company from Potevio Group was approximately RMB62,061,000.

Sumitomo Framework Purchase Agreement

On 25 September 2015, the Company entered into the Sumitomo Framework Purchase Agreement for a term of three years commencing from 1 January 2015, in respect of the purchase of optical fiber preform and paints by the Group from Sumitomo Electric Industries, Ltd. ("Sumitomo Electric") and its subsidiaries (collectively, "Sumitomo Electric Group").

As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at subsidiary level under the Listing Rules.

The principal terms of the Sumitomo Framework Purchase Agreement are as follows:

Date	:	25 September 2015
Parties	:	The Company and Sumitomo Electric
Subject matter	:	The Group shall purchase optical fiber preform and paints from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement
Tenure	:	1 January 2015 to 31 December 2017

The selling prices of the optical fiber preform and paints sold by Sumitomo Electric Group to the Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent customers and to be agreed between the parties.

REPORT OF THE DIRECTORS

The annual caps under the Sumitomo Framework Purchase Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB57.7 million, RMB106.6 million and RMB106.6 million, respectively.

On 19 May 2017, the Company and Sumitomo Electric entered into the Supplemental Agreement to revise the existing annual cap to the revised annual cap and to include the new purchase of production facilities and the relevant technology usage fees.

The principal terms of the Supplemental Agreement are as follows:

- Date : 19 May 2017
- Parties : The Company and Sumitomo Electric
- Subject matter : The Company and Sumitomo Electric have agreed to revise the existing annual cap to the revised annual cap under the Sumitomo Framework Purchase Agreement and to include the new purchase of production facilities and the relevant technology usage fees. The pricing basis and payment terms of the transactions under the Sumitomo Framework Purchase Agreement will apply to the purchase of production facilities and the relevant technology usage fees. Save as amended by the Supplemental Agreement, all other terms of the Sumitomo Framework Purchase Agreement shall remain unchanged.

The existing annual cap and the revised annual cap for the year ending 31 December 2017 are set out in the table below:

	For the year ending 31 December 2017 (in RMB million)	
	2017 existing annual cap	2017 revised annual cap
1. Purchase of optical fiber preform and paints	106.6	174.68
2. Purchase of production facilities and the relevant technology service fees	0	25.32
	106.6	200.0

During the year ended 31 December 2017, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB151,280,000.

REPORT OF THE DIRECTORS

Honyar Framework Distribution Agreement

On 29 April 2016, the Company entered into the Honyar Framework Distribution Agreement for a term from the date of the independent Shareholders' approval to 31 December 2017, in respect of the purchase of certain electrical products, lighting products, piping products and smart products, from Honyar Group to the Group.

China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, and is also the controlling shareholder of Hangzhou HONYAR Electrical holding 51% equity interest in Hangzhou HONYAR Electrical. Therefore, Honyar Group is considered a connected person of the Group and transactions contemplated under the Honyar Framework Distribution Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Honyar Framework Distribution Agreement are as follows:

- Date : 29 April 2016
- Parties : The Company and Hangzhou HONYAR Electrical
- Subject matter : During the tenure of the Honyar Framework Distribution Agreement, (i) the Group shall be the sole distributor of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC; (ii) the Group will enter into agreements with all customers of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC and purchase the relevant products from the Honyar Group from time to time.

The Group shall purchase certain electrical products, lighting products, piping products and smart products from Honyar Group as the sole distributor of the relevant products of Honyar Group in the southwest region of the PRC based on the requirements and demands of the customers from time to time during the tenure of the Honyar Framework Distribution Agreement

- Tenure : the date of the independent Shareholders' approval to 31 December 2017

The selling prices of the electrical products, lighting products, piping products and smart products sold by Honyar Group to the Group are not fixed, to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent suppliers and are to be agreed between the parties.

The annual caps under the Honyar Framework Distribution Agreement for the years ended 31 December 2016 and 2017 are RMB40.0 million and RMB90.0 million, respectively.

During the year ended 31 December 2017, the aggregate payment made by the Company to Honyar Group was approximately RMB25,096,000.

REPORT OF THE DIRECTORS

Taishan Framework Sales Agreement

On 19 May 2017, the Company entered into the Taishan Framework Sales Agreement with Chongqing Taishan Cable, in respect of the sales of certain metal wires and metal rods from the Group to the Taishan Group.

The Company holds 40% equity interest in Chongqing Putaifeng Aluminium. The financial statements of Chongqing Putaifeng Aluminium since the date of its incorporation have been brought under the scope of the consolidated financial statements of the Group, therefore Chongqing Putaifeng Aluminium is considered as a non-wholly owned subsidiary of the Company. As Chongqing Taishan Cable is also a substantial shareholder of Chongqing Putaifeng Aluminium holding 30% equity interest in Chongqing Putaifeng Aluminium, Chongqing Taishan Cable is considered as a connected person of the Group at subsidiary level and transactions contemplated under the Taishan Framework Sales Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Taishan Framework Sales Agreement are as follows:

Date	:	19 May 2017
Parties	:	The Company and Chongqing Taishan Cable
Subject matter	:	The Group shall supply certain metal wire and metal rods to Taishan Group based on the requirements and demands of Taishan Group from time to time during the tenure of the Taishan Framework Sales Agreement
Tenure	:	19 May 2017 to 31 December 2017

The transactions under the Taishan Framework Sales Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms and such terms and conditions shall be negotiated on an arm's length basis and will be no less favourable than those available from independent third parties of the Group.

The annual cap under the Taishan Framework Sales Agreement for the year ended 31 December 2017 is RMB500.0 million.

During the year ended 31 December 2017, the aggregate payment made by Chongqing Taishan Cable to the Company was approximately RMB43,694,000.

REPORT OF THE DIRECTORS

Huangshi Framework Purchase Agreement

On 19 May 2017, the Company entered into the Huangshi Framework Purchase Agreement with Huangshi Shuangfeng, in respect of the purchase of power cables and wire by the Group from the Huangshi Group.

The Company holds 40% equity interest in Chongqing Putaifeng Aluminium. The financial statements of Chongqing Putaifeng Aluminium since the date of its incorporation have been brought under the scope of the consolidated financial statements of the Group, therefore Chongqing Putaifeng Aluminium is considered as a non-wholly owned subsidiary of the Company. As Huangshi Shuangfeng is also the substantial shareholder of Chongqing Putaifeng Aluminium, holding 30% equity interest in Chongqing Putaifeng Aluminium, Huangshi Shuangfeng is considered as the connected person of the Group at subsidiary level and transactions contemplated under the Huangshi Framework Purchase Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Huangshi Framework Purchase Agreement are as follows:

Date	:	19 May 2017
Parties	:	The Company and Huangshi Shuangfeng
Subject matter	:	The Group shall purchase power cables and wire from Huangshi Group from time to time during the tenure of the Huangshi Framework Purchase Agreement
Tenure	:	19 May 2017 to 31 December 2017

The transactions under the Huangshi Framework Purchase Agreement will be conducted in ordinary and usual course of business and on normal commercial terms and such terms and conditions shall be negotiated on an arm's length basis and will be no less favorable than those available from independent third parties of the Group.

The annual cap under the Huangshi Framework Purchase Agreement for the year ended 31 December 2017 is RMB30.0 million.

During the year ended 31 December 2017, the aggregate payment made by the Company to Huangshi Shuangfeng was approximately RMB557,000.

Confirmations from the independent non-executive Directors and auditors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules. A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

The auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the year ended 31 December 2017:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the relevant annual caps as disclosed in the previous announcements dated 25 September 2015, 29 April 2016, 27 May 2016 and 19 May 2017 of the Company.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

2. One-off connected transactions

On 29 December 2017 (after trading hours), the Company and Jindu Community of the Xihang Port Sub-district Office of the Shuangliu District* (the "Vendor") entered into the Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to sell, 33.3% shareholding interests in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant*, at the aggregate cash consideration of RMB19.5 million.

Prior to the Acquisition, the Company was a controlling shareholder of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant holding 66.67% of its equity interest and the Vendor was also a substantial shareholder of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant holding 33.33% of its equity interest. Therefore, the Vendor was considered as a connected person of the Group at subsidiary level and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Following the completion of the Acquisition, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant became a wholly-owned subsidiary of the Company, as the equity interest held by the Company in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant had increased from 66.67% to 100%.

3. Related party transactions

Related party transactions of the Company are set out in note X to the financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Continuing Connected Transactions" on pages 29 to 35 of this annual report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

4. Resignation of independent non-executive director and addition of independent non-executive director

On 31 January 2018, Mr. Choy Sze Chung, Jojo resigned as an independent non-executive director, chairman of the audit committee and the nomination committee and member of the strategic development committee and the remuneration and appraisal committee of the Company as he wished to dedicate more time to his personal developments. In addition, Mr. Lin Zulun, the independent non-executive director of the Company, was appointed and acted as the chairman of the nomination committee on the same day.

Subsequent to the resignation of Mr. Choy Sze Chung, Jojo, the number of independent non-executive directors and members of the audit committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules, and the required composition of the remuneration and appraisal committee and nomination committee fails to meet the requirements under Rule 3.25 and code provision A.5.1 of Appendix 14 to the Listing Rules. The Board will identify an appropriate person to fill the vacancy of independent non-executive director, member of audit committee and member of remuneration and appraisal committee within three months from the date of resignation pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules; and to fill the vacancy of member of nomination committee and member of strategic development committee.

On 13 April 2018, Ms. Mao Yaping ("Ms. Mao") was appointed as an independent non-executive director of the Company, and her term would expire upon the expiry of the term of the eighth session of the Board. Ms. Mao has also been appointed as the chairman of the audit committee and a member of the nomination committee, the remuneration and appraisal committee and the strategic development committee of the Board of the Company.

Following the appointment of Ms. Mao as an independent non-executive director and the chairman of the audit committee and a member of the nomination committee, the remuneration and appraisal committee and the strategic development committee of the Company, the Company has been in compliance with the minimum number requirements on the number of independent non-executive directors and members of the audit committee under Rules 3.10(1) and 3.21 of the Listing Rules, requirements regarding the proportion of independent non-executive directors in the Board being not less than one third under Rule 3.10A of the Listing Rules, and requirements regarding required member composition of the remuneration and appraisal committee, the nomination committee and the strategic development committee of the Company as set out in Rule 3.25 of the Listing Rules, Code Provision A.5.1 in Appendix 14 to the Listing Rules and Implementation Rules of Board Committees of the Company.

5. Acquisition of shareholding interests in Shuangliu Heat Shrinkable

On 2 January 2018, the Company announced that it intended to acquire 33.33% shareholding interests in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, a subsidiary of the Company, held by Jindu Community of the Xihang Port Sub-district Office of the Shuangliu District at a consideration of RMB19.5 million. On 8 February 2018, the Company paid to Jindu Community of the Xihang Port Sub-district Office of the Shuangliu District partial consideration amounted to RMB9.75 million for the acquisition of shareholding interests. Pursuant to the share transfer agreement entered into between parties, the remaining consideration would be paid within 7 days after the completion of registration procedures in relation to the changes in the business license. As at the date of this result announcement, the registration procedures in relation to the changes in the business license have not yet been completed.

MATERIAL LITIGATION

To the knowledge of the Board, none of the Company or other members of the Group was involved in, among other things, any material litigation or arbitration during the Year.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

During the Year, save as disclosed in this annual report, the Company has complied with the provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Details are set out in the corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company.

After specific enquiries to the directors and supervisors of the Company, the Board confirmed that all directors and supervisors had fully complied with the codes as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the Year.

AUDIT COMMITTEE OF THE BOARD (“AUDIT COMMITTEE”) AND REVIEW OF THE ANNUAL RESULTS

The Company established the Audit Committee in accordance with the Listing Rules. The members of the Audit Committee are Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Xiao Xiaozhou and Mr. Lin Zulun, all being the independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the risk management and internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for 2017.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2017 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

AUDITORS

As set out in the announcement on 22 August 2014, Daxin Certified Public Accountants (“Daxin”) have provided audit services to the Company for some years. According to the Central Enterprises Financial Audit Working Rules issued by the State-owned Assets Supervision and Administration Commission of the State Council relating to continuing audit services provided by the same firm of certified public accountants, Daxin resigned as the auditors of the Company on 23 August 2014. In accordance with the Articles of Association of the Company, the Board appointed Pan-China Certified Public Accountants as the auditors of the Company with effect from 23 August 2014 to fill the casual vacancy after the resignation of Daxin until the conclusion of the next annual general meeting of the Company.

The Company reappointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meeting held on 5 June 2015 and reappointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meetings held on 24 June 2016 and 23 June 2017.

The auditors will retire at the forthcoming annual general meeting and is eligible for re-appointment at the forthcoming annual general meeting. The financial statements of the Group prepared in accordance with the Accounting Standards issued by Ministry of Finance of the PRC have been audited by the auditors, Pan-China Certified Public Accountants.

By order of the Board
Zhang Xiaocheng
Chairman

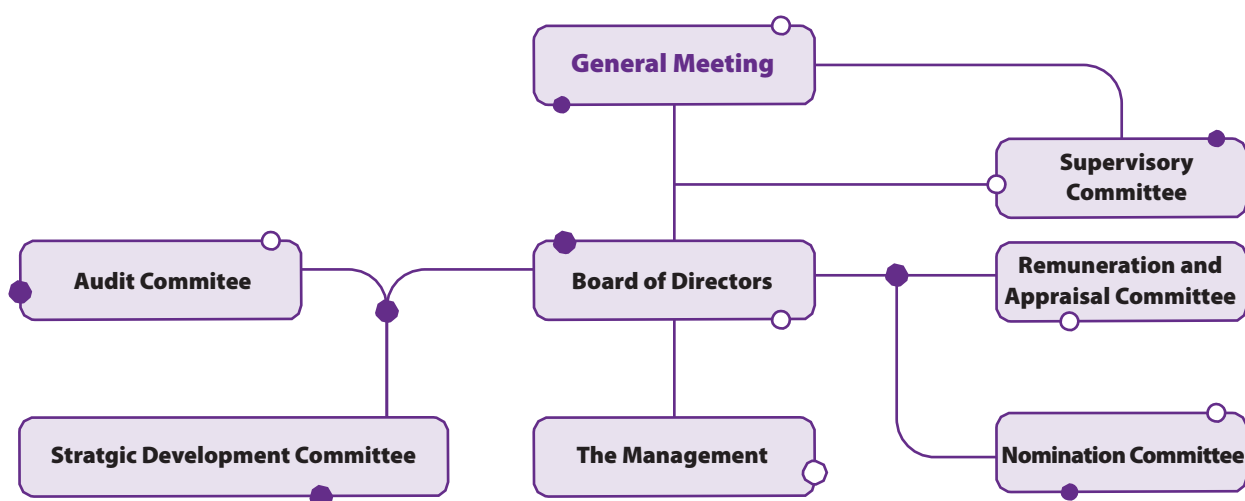
23 March 2018

CORPORATE GOVERNANCE REPORT

The Board hereby reports to the Shareholders in respect of the Company's undertakings and its performance on corporate governance for the year ended 31 December 2017 (the "Year").

The Company attaches great importance to corporate governance principles that emphasize a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company is committed to maintain a good framework of corporate governance and to comply with applicable statutory and regulatory requirements with a view to assure the conduct of the management of the Company as well as protecting the interests of all Shareholders. The Board mainly assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Set out below is the corporate governance structure of the Company:



GOVERNANCE STRUCTURE

(a) Corporate Governance and Corporate Governance Code

Although the Company attached great importance to corporate governance and strives to comply with the Listing Rules and other relevant regulations, the Company failed to act according to the Listing Rules to make announcements and seek shareholders' approval for some continuing connected transactions in the financial years of 2013 and 2014 and the financial year of the first half of 2015. Most of such continuing connected transactions were related to purchase or sales of optic fiber and relevant commodities from or to connected persons. Hence, during the Year, the Company adopted remedial measures including publishing announcement, and seeking shareholders' approval and ensuring that information was announced in a timely manner. The Board tried hard to review and improve disclosure about information and compliance matters of the Company and strengthened information reporting for each department and enhanced the training for each staff in respect of the information announcement requirement of the Listing Rules.

Upon the change of session of the Board becoming effective on 12 November 2015, the number of independent non-executive directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the period, the Board has been seeking suitable candidates. Effective from 4 February 2016, Mr. Lin Zulun has been appointed as an independent non-executive director and a member of various Board committees to fill the relevant vacancies. Subsequent to the resignation of Mr. Choy Sze Chung, Jojo as an independent non-executive director of the Company with effect from 31 January 2018, the number of independent non-executive directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the period, the Board has been seeking suitable candidates. Effective from 13 April 2018, Ms. Mao Yaping has been appointed as an independent non-executive director and a member of various Board committees to fill the relevant vacancies. The Company will strive to maintain a high standard of corporate governance and transparency of the Company and to safeguard the interest of Shareholders and the Company as a whole. Save as disclosed above, for the Year, the Company had applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to Shareholders.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these practices continue to meet the requirements of the CG Code.

(b) Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors and Supervisors, each of them confirmed that they have complied with the required standards set out in the Model Code during the Year in relation to their securities dealings, if any.

CORPORATE GOVERNANCE REPORT

(c) The Board of Directors

The eighth session of the Board was elected at the first extraordinary general meeting held on 12 November 2015. The Board currently comprises a total of 9 members, with 6 executive directors and 3 independent non-executive directors.

Executive Directors

Mr. Zhang Xiaocheng (*Chairman*)

Mr. Wang Micheng (*Vice Chairman*)

Mr. Wang Feng (resigned on 13 January 2017)

Mr. Han Shu

Ms. Xu Liying

Ms. Liu Yun (appointed on 13 January 2017)

Mr. Fan Xu

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo (resigned on 31 January 2018)

Ms. Mao Yaping (appointed on 13 April 2018)

Mr. Xiao Xiaozhou

Mr. Lin Zulun

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the existing Directors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years, commencing from 12 November 2015 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2018. Mr. Lin Zulun has also entered into a service contract with the Company, with a term commencing from 4 February 2016 to the date of the forthcoming annual general meeting to be held in 2016. Ms. Liu Yun has also entered into a service contract with the Company, with a term commencing from 13 January 2017 to the date of the annual general meeting to be held in 2017. Ms. Mao Yaping has also entered into a service contract with the Company, with a term commencing from 13 April 2018 to the date of the annual general meeting to be held in 2018. Members of the Board come from different backgrounds and they have extensive experience in different sectors including information technology, securities and finance, wire and cable industry, corporate management, financing accounting, project management and capital operation, etc. Save as otherwise disclosed, members of the Board are unrelated to one another. The Board of Directors of the Company are able to fulfil the requirements set out in rules 3.10(1) and (2) of the Listing Rules. The list and biographies of the Directors are set out on pages 21 to 25 of this annual report.

Directors are elected in or replaced by way of the general meetings. Shareholders, the Board or the Supervisory Committee are entitled to nominate a candidate for directorship by written notice. Directors have a term of office of three years and are eligible to offer themselves for re-appointment upon expiry of the term.

CORPORATE GOVERNANCE REPORT

The main responsibilities of the Board include overseeing all major matters of the Company, such as the formulation and approval of all policy matters and overall strategies, internal control and risk management and supervision of managerial staff, senior executives and employees. Its main duties are to exercise management decisions power with the authority delegated by the general meetings in respect of the Company strategic development and planning, business planning, management structure, investment and financing, human resources and manpower and financial control. The Board is also responsible for developing and reviewing the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors. The Board has to make decisions that are of the best interests of the Company and the Shareholders and all substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board. Set out below are the corporate governance functions carried out by the Board:

- (a) to determine the policy of the corporate governance;
- (b) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (c) to review and monitor the training and continuous professional development of director and senior management;
- (d) to review and monitor company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- (f) to review the company's compliance with code and disclosure in corporate governance report..

During the Year, 10 meetings of the Board of the Company were held to discuss the Company's operating results, overall strategies, investment schemes as well as operation and financial performance. Directors could attend meetings in person or through other electronic communication devices.

CORPORATE GOVERNANCE REPORT

Set out below are the attendance of board meeting and Shareholders meeting of each Director during the year:

Name of Directors	Board Meeting Attended/ Eligible to Attend	2016 Annual General Meeting Attended
Executive Directors		
Mr. Zhang Xiaocheng (<i>Chairman</i>)	9/10	
Mr. Wang Micheng (<i>Vice Chairman</i>)	10/10	✓
Mr. Wang Feng ¹	–	–
Mr. Han Shu	9/10	
Ms. Xu Liying	9/10	
Ms. Liu Yun ²	9/10	
Mr. Fan Xu	9/10	✓
Independent Non-executive Directors		
Mr. Choy Sze Chung, Jojo ³	10/10	
Ms. Mao Yaping ⁴	–	–
Mr. Xiao Xiaozhou	10/10	
Mr. Lin Zulun ⁵	10/10	✓

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Choy Sze Chung, Jojo resigned as an independent non-executive Director on 31 January 2018.

⁴ Ms. Mao Yaping was appointed as an independent non-executive Director on 13 April 2018.

⁵ Mr. Lin Zulun was appointed as an independent non-executive Director on 4 February 2016.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable standards and to report on material uncertainties, if any, relating to events or conditions that may cast significance to doubt upon the Company's ability to continue as a going concern. The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group that relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors also acknowledge their responsibilities to ensure the financial statements of the Group are published in a timely manner. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Auditors' Report" in this annual report. Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage of any legal liabilities which may arise in the course of performing their duties.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

Although the Company attached great importance to corporate governance, the Company had a vacancy of independent non-executive Director after Mr. Li Yuanpeng did not seek for a re-election of Director at the first extraordinary general meeting in 2015 until a suitable candidate was identified in February 2016. Mr. Lin Zulun was duly appointed as independent non-executive Director on 4 February 2016. The Company had a vacancy of independent non-executive Director after the resignation of Mr. Choy Sze Chung, Jojo as an independent non-executive Director of the Company on 31 January 2018 until a suitable candidate was identified. Ms. Mao Yaping was duly appointed as independent non-executive Director on 13 April 2018. Upon the appointment, the Company met the requirements of the Listing Rules in relation to the minimum number of independent non-executive directors and their proportion in the Board. The Company has three Independent Non-executive Directors, which complies with the requirement of rules 3.10(1), (2) and 3.10(A) of the Listing Rules. Independent Non-executive Directors were assumed by the persons who are independent of any Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third parties), which complies with the requirement of its independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his independence to the Stock Exchange prior to his appointment.

The Company has received written confirmation of independence from all independent non-executive Directors, confirming their independent status to the Company. The Company continues to consider them independent under Rule 3.13 of the Listing Rules. The independent non-executive Directors of the Company play an important role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control. Our independent non-executive Directors possess extensive academic, professional and industry experience and management experience and have provided their independent, constructive and professional advice to the Board. The backgrounds of independent non-executive Directors are also in compliance with the requirements of rule 3.10(2) of the Listing Rules which requires that at least one independent non-executive Director has appropriate professional qualifications, accounting or related financial management expertise.

The independent non-executive Directors expressed their analysis and opinions in respect of various issues as far as the Shareholders and the Company are concerned, and their extensive experience in business and finance are essential for the smooth development of the Company. The attendance of independent non-executive Directors in Board meeting, either by attending in person or by way of electronic communication, was relatively high.

Board meetings

Meetings of the Board are held regularly and there was satisfactory attendance for board meetings. Regular board meetings are scheduled in advance to give the directors an opportunity to attend. All directors are invited to include matters in the agenda for regular board meetings and Directors can attend board meetings either in person or by electronic means of communication.

Notices of Board meetings or special committees' meetings are delivered to the Directors or special committee members at least 14 days before the meetings for the Directors to prepare for the relevant meetings and incorporate other matters into the agenda. The meeting materials and the agenda of the Board meeting or special committee meeting are distributed to Directors or members of special committees at least 3 days before the meetings to allow sufficient time to enable them to review the relevant materials and prepare for the meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed discussions in the Board meetings. Directors confirm that they have the responsibility to act in the interests of the Shareholders and shall not ignore the interests of minority Shareholders.

CORPORATE GOVERNANCE REPORT

Detailed minutes of meetings are compiled for Board meetings or special committees' meetings. Draft minutes are tabled in the next meeting for circulation among Directors or special committee members for perusal and comments before being endorsed by the Board or the special committees. All Directors are free to communicate with the company secretary who is responsible for ensuring and advising on compliance with all procedures in connection with the Board and all applicable rules and regulations.

Minutes of Board meetings or special committees' meetings must record in detail issues considered by the Directors during the meeting as well as the resolutions made including any worries or objections put forward by the Directors.

Minutes of Board meetings or special committees' meetings are to be kept by the secretary to the Board to which the Directors have free access. The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committees members and/or respond as soon as possible so as to keep them informed of the Company's latest development to facilitate their performance of duties.

Each Director is provided with a Director's Handbook containing guidance on practice. Provisions of relevant legislations or the Listing Rules are quoted in the Director's Handbook to remind Directors of the need to discharge their responsibilities including disclosure to the supervisory bodies of their interest, potential conflict of interests and details about changes of personal data. The Director's Handbook will be updated from time to time as per changes in laws and regulations as well as the Listing Rules.

The Board and the special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants as and when necessary with fees borne by the Company. Individual Directors can also engage consultants for advice on any specific issues of the Company with fees borne by the Company. All Directors can obtain from the company secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the laws and regulations as appropriate.

(d) Chairman and General Manager

The Company's Chairman and the General Manager are appointed by the Board. The positions are respectively taken up by Mr. Zhang Xiaocheng and Mr. Wang Micheng. The role of the Chairman is separate from that of the General Manager so as to delineate their respective areas of responsibility, power and authority. The Chairman focuses on the Group's strategic planning while the General Manager has overall executive responsibility for the Group's development and management. They receive significant support from the directors and the senior management team.

The Chairman has a clear responsibility to ensure that the whole Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Board, led by the Chairman, sets the overall directions, strategy and policies of the Company.

The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. The Chairman is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

CORPORATE GOVERNANCE REPORT

(e) Independent Non-Executive Directors

The Company has three independent non-executive Directors, representing one-third of the directorship. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). Independent non-executive Director, Mr. Xiao Xiaozhou, has a term of office for three years, commencing from 12 November 2015, while Mr. Lin Zulun has a term commencing from 4 February 2016 to 2015 annual general meeting. Mr. Lin Zulun was then approved by the shareholders at the 2015 annual general meeting for re-election. Ms. Mao Yaping has a term commencing from 13 April 2018 to 2017 annual general meeting, and will be reelected at the 2017 annual general meeting. Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Lin Zulun, our independent non-executive Directors, strictly comply with the independent requirements of the Listing Rules. The three independent non-executive Directors assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

(f) Professional Trainings Taken by Directors

Directors shall keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are encouraged to participate in continuous professional development to further develop their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of seminar and reading materials, journals and newsletters. Besides, in view of previous improper handling of continuing connected transactions and information disclosures, the Company has specially arranged training for Directors and relevant senior management on connected transactions and information disclosures. All Directors are encouraged to attend relevant training courses at the Company's expenses. A summary of training received by Directors during the Year according to the records provided by the Directors is as follows:

Name of Directors	Types of continuous professional training	
	Corporate governance, regulatory development and other related training	Read articles, publications, newsletter and updates relating to director's duty
Executive Directors		
Mr. Zhang Xiaocheng (<i>Chairman</i>)		✓
Mr. Wang Micheng (<i>Vice Chairman</i>)		✓
Mr. Wang Feng ¹	–	–
Mr. Han Shu		✓
Ms. Xu Liying	✓	✓
Ms. Liu Yun ²		✓
Mr. Fan Xu	✓	✓
Independent Non-executive Directors		
Mr. Choy Sze Chung, Jojo ³	✓	✓
Ms. Mao Yaping ⁴	–	–
Mr. Xiao Xiaozhou	✓	✓
Mr. Lin Zulun ⁵	✓	✓

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Choy Sze Chung, Jojo resigned as an independent non-executive Director on 31 January 2018.

⁴ Ms. Mao Yaping was appointed as an independent non-executive Director on 13 April 2018.

⁵ Mr. Lin Zulun was appointed as an independent non-executive Director on 4 February 2016.

CORPORATE GOVERNANCE REPORT

(g) Remuneration and Appraisal Committee

Mr. Li Yuanpeng ceased to serve as a member of the remuneration and appraisal committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the remuneration and appraisal committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the remuneration and appraisal committee. Mr. Choy Sze Chung, Jojo ceased to serve as a member of the remuneration and appraisal committee on 31 January 2018. Ms. Mao Yaping was appointed as a member of the remuneration and appraisal committee of the Company on 13 April 2018 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the remuneration and appraisal committee. The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Lin Zulun and two executive Directors, Mr. Han Shu and Ms. Xu Liying. The committee is chaired by Mr. Xiao Xiaozhou.

The remuneration and appraisal Committee has adopted the operation model where it makes recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Group and the remuneration of all Directors of each member of the Group. The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy on all Directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also assesses the performance of executive directors and approves the terms of executive director service contracts. It also makes recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive directors), to supervise the execution of the remuneration system, to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with agreement terms; and if compensation payable could not be consistent with agreement terms, it should be fair and not excessive. The committee consults the chairman and/or the general manager about their remuneration proposals for other executive Directors.

The Group's remuneration policy seeks to provide fair and reasonable market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

The remuneration and appraisal committee shall report the passed resolution(s) and voting results to the Board after each meeting in writing. The terms of reference of the remuneration and appraisal committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue, net profits, and key performances were used as business indices. The Company's remuneration policy is that remuneration is linked with Company's performance. Directors' remuneration is determined upon appraisal by the remuneration and appraisal committee. By adopting such initiatives, the Company aims to attract, retain and encourage talents and provide supports for the achievement of operating targets of the Group.

Total income of senior management during the Year comprises of a basic annual salary and a performance-based annual bonus. Remuneration of Directors and Supervisors are determined in general meetings according to related policies or regulations of the PRC and the actual position of the Company. The remuneration of the Directors and Supervisors working for the Company are paid according to the duties they undertake in the Company.

CORPORATE GOVERNANCE REPORT

One meeting was held in the Year. During the Year, the committee approved the remuneration of new executive Directors.

Details of the remuneration of Directors and Supervisors for the year ended 31 December 2017 are set out on pages 161 to 162.

During the Year, independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun, were paid director fees while the remaining Directors and Supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor fees by the Company.

(h) Nomination Committee

Mr. Li Yuanpeng ceased to serve as a member of the nomination committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the nomination committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the nomination committee. Mr. Choy Sze Chung, Jojo ceased to serve as a member of the nomination committee on 31 January 2018. Ms. Mao Yaping was appointed as a member of the nomination committee of the Company on 13 April 2018 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the nomination committee. The Board set up a nomination committee currently comprising five members, including three independent non-executive Directors, Mr. Lin Zulun, Ms. Mao Yaping, Mr. Xiao Xiaozhou and two executive Directors, Ms. Liu Yun and Mr. Fan Xu. The committee is chaired by Mr. Lin Zulun. The nomination committee holds meetings in due course every year.

The purpose of the committee is to determine the policy for the nomination of directors performed by the nomination committee. It is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board. The committee is responsible for reviewing the structure, size, composition and diversity (including but not limited to gender, ages, cultural and education backgrounds, occupations, experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee supervises the implementation of Board Diversity Policy, reviews such policy at least once a year to ensure its effectiveness, and advise the Board of Directors on any proposed revision of the policy. The committee carries out extensive search for qualified candidates for Directors and managers and it is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the vice chairman and the chief executive officer of the Company. The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company. The chairman of the nomination committee shall report the approved resolution(s) and the voting results to the Board after each meeting in writing. The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

During the Year, the nomination committee had convened one meeting to review the candidate for executive Director and make recommendations thereof to the Board. Specific details of attendance of the meeting are set out on page 49 of this section.

CORPORATE GOVERNANCE REPORT

(i) **Audit Committee**

Mr. Li Yuanpeng ceased to serve as a member of the audit committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the audit committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the audit committee. Mr. Choy Sze Chung, Jojo ceased to serve as a member of the nomination committee on 31 January 2018. Ms. Mao Yaping was appointed as a member of the audit committee of the Company on 13 April 2018 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the audit committee. The Company has set up an audit committee since August 1999. The committee currently comprises three members, including the existing three independent non-executive Directors of the Company, namely Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Lin Zulun, and is chaired by Ms. Mao Yaping.

Members of the audit committee have a term of three years. Terms of reference of the committee are formulated in accordance with recommendations of "A Guide for Effective Audit Committee" promulgated by the Hong Kong Institute of Certified Public Accountants and the requirements of the Listing Rules. Its major duties include: to report to the Board, examine quality and procedure of the Group's interim and annual reports, review the connected transactions, monitor the financial reporting procedure, review soundness and effectiveness of risk management and internal control systems of the Company, consider the appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of internal audit staff and review feedback from the management to such reports.

The terms of reference of the audit committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

During the Year, the audit committee had convened two meetings. During the meetings, the Audit Committee reviewed the annual results and its corresponding accounts for 2016, the interim results and its corresponding accounts for the six months ended 30 June 2017, discussed the Company's works on internal control matters and other works as required under the CG Code. Specific details of attendance of the meetings are set out on page 49 of this section. All resolutions passed during the meetings of the committee were duly recorded in accordance with related rules, and the records were filed upon perusal by all members of the audit committee with amendments. After each meeting, the chairman submitted reports on the significant matters discussed to the Board.

(j) **Strategic Development Committee**

The strategic development committee currently comprises five members, including three independent non-executive Directors, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Lin Zulun and two executive Directors, Mr. Zhang Xiaocheng and Mr. Wang Micheng. The committee is chaired by Mr. Zhang Xiaocheng.

The role and main duties of the strategic development committee include studying and advising on the Company's mid to long-term strategic development and planning; studying and advising on the material investment, financing proposal, significant use of capital and project of asset operation subject to approval of the Board pursuant to the Articles of Association; studying and advising on any other material events which have influence on the development of the Company; and checking the implementation of the above matters.

The strategic development committee convened meetings and held discussion in accordance with the proposal of management of the Company and submitted discussion results for consideration of the Board and meanwhile, reported the results to the management of the Company.

During the Year, the strategic development committee convened one meeting to review the ten-year development plan of the Company.

CORPORATE GOVERNANCE REPORT

During the Year, attendance at audit committee meetings, nomination committee meetings, remuneration and appraisal committee meetings and strategic development committee meetings of the Board are set out as follows:

	Audit Committee Meeting Attended/ Eligible to Attend	Nomination Committee Meeting Attended/ Eligible to Attend	Remuneration and Appraisal Committee Meeting Attended/ Eligible to Attend	Strategic Development Committee Meeting Attended/ Eligible to Attend
Executive Directors				
Mr. Zhang Xiaocheng (<i>Chairman</i>)	–	–	–	1/1
Mr. Wang Micheng (<i>Vice Chairman</i>)	–	–	–	1/1
Mr. Wang Feng ¹	–	–	–	–
Ms. Liu Yun ²	–	2/2	–	–
Mr. Han Shu	–	–	1/1	–
Ms. Xu Liying	–	–	1/1	–
Mr. Fan Xu	–	2/2	–	–
Independent Non-executive Directors				
Mr. Choy Sze Chung, Jojo ³	2/2	2/2	1/1	1/1
Ms. Mao Yaping ⁴	–	–	–	–
Mr. Xiao Xiaozhou	2/2	2/2	1/1	1/1
Mr. Lin Zulun ⁵	2/2	2/2	1/1	1/1

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Choy Sze Chung, Jojo resigned as an independent non-executive Director on 31 January 2018.

⁴ Ms. Mao Yaping was appointed as an independent non-executive Director on 13 April 2018.

⁵ Mr. Lin Zulun was appointed as an independent non-executive Director on 4 February 2016.

(k) Auditor's Remuneration

The auditor engaged by the Company is nominated by the Board and is approved by Shareholders in the general meeting. Apart from annual audit, the auditor of the Company has also reviewed the interim reports of the Company. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid to the auditor for auditing services totaled RMB700,000, the remuneration for the provision of non-audit related services (i.e. internal control audit) to the Company is RMB180,000.

CORPORATE GOVERNANCE REPORT

MONITORING MECHANISM

Supervisory Committee

The Supervisory Committee was established in accordance with the relevant PRC law. It independently performs its supervisory duty under the law to protect against infringement of lawful rights of Shareholders, the Company and its staff. Also, it reviews the financial position and the financial information of the Company pursuant to the Articles of Association, monitors the decisions made by the Board and senior management for operation and management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations.

The Supervisory Committee comprised three supervisors, including one supervisor acting as staff representative and two Shareholder's representative supervisors.

On 12 November 2015, the 2015 first extraordinary general meeting was held to, among other matters, re- elect Mr. Zheng Zhili and Mr. Xiong Ting as the Supervisors of the Company. The Company held a labor congress on 27 July 2017. At the labor congress, Mr. Liu Jun was democratically elected by the staff of the Company as a staff representative Supervisor of the Supervisory Committee of the Company to take the place of Ms. Dai Xiaoyi. The existing members of Supervisory Committee are Mr. Zheng Zhili (Chairman of Supervisory Committee), Mr. Xiong Ting and Mr. Liu Jun.

During the Year, the Supervisory Committee convened two meetings. All Supervisors have attended all the Board meetings and performed their monitoring obligations on behalf of Shareholders as to whether the financial activities of the Company, the performance of duties of Directors and senior management and the decision-making procedures of the Board of the Company are in compliance with the laws and regulations.

The Supervisors had performed their statutory duties impartially.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's risk management and internal control systems for reviewing relevant financial, operating and supervisory control procedures to protect Shareholders' interests and the Group's assets. The management is authorized by the Board to adopt such internal control system. For the year ended 31 December 2017, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered that certain aspects, such as timely internal reporting, should be strengthened. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal control system includes a management framework with clearly defined duties for the purposes of assisting the Company in reaching various business targets and ensuring that assets of the Company will not be defalcated or disposed of; ensuring that the Company's accounting records provide reliable financial data for internal use or public disclosure; and ensuring compliance with related legislations and requirements.

CORPORATE GOVERNANCE REPORT

The Company set up an internal audit department in October 2003 to inspect, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associates on a regular basis and when necessary, based on different potential risks and the importance of internal control systems for different businesses and workflows, so as to ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism. The external auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the internal audit department directly reports the relevant outcomes and its opinions to the audit committee for consideration. Upon consideration by the audit committee, the audit committee puts forward its recommendation to the management of the Company and regularly reports to the Board.

The Company formulated the Internal Control System which summarizes and clarifies the objectives, content, methods and obligations of the internal control system. This will facilitate the Company's continuing inspection and assessment on implementation of the existing systems and the effectiveness of internal controls. On 12 November 2015, the Board amended the Implementation Rules of Audit Committee in accordance with the revised Listing Rules in respect of internal control and risk management.

In order to further provide effective risk management, the Company consolidated its management system in 2016 to further strengthen the management functions. At the same time, the Company specified major risk management issues including investment management, capital management, safety management and contract management according to its features in operation and development. The Board made amendments and improvements to the regulations and systems of the Company in respect of legal and comprehensive risk management and formulated the Implementation Measures for the "Three Importance and One Greatness" Decision Making. The Company also established a major risk reporting system such that all risks with respect to legal, employees' life, environment and other areas have to be reported. The Company also set up a risk management working group comprising some of the key senior management, the major persons in charge of departments and the major responsible persons of business operations, which specified the duties and authorities of the personnel and clarified the major responsible units or departments for the working procedures in relation to comprehensive risk management. The finance department of the Company and the person in charge of the financial operations of the subsidiaries of the Company conducted cross-checking on financial operations. The risk management working group has to report to the audit committee and the Board so as to enable them reviewing the risk management system of the Company.

The Board conducted a review to examine whether the risk management and internal control systems of the Company and its subsidiaries are effective and adequate. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. At the beginning of 2017, Pan-China Certified Public Accountants, the external auditors of the Company, was appointed to conduct specific audit on the internal control system for the year 2016 of the Group and a report was issued in March 2017. Based on the opinions for improving internal controls provided in the internal control audit report, the Board has formulated the 2017 comprehensive risk management work plan. The Company has set up a comprehensive risk management committee headed by Mr Wang Micheng as the team leader and the principal leaders as members in order to strengthen all aspects of monitoring and procedures regarding the compliance of the Listing Rules. The Board also reviewed risk management, accounting and training of internal audit staff in full and ensured the business quality and risk assessment awareness of the staff and that sufficient budget was provided.

CORPORATE GOVERNANCE REPORT

To further implement internal control more efficiently, the Board had confirmed the following major procedures:

- The Company has a framework with well-defined authority and duties with a hierarchical chain of supervision. The heads of all the departments participate in the formulation of strategic plans. Entrepreneurial strategies for the coming three years were formulated for achievement of annual operation plan and annual business and financial targets. Strategic plans and business plans for the year are the basis for annual budgets, and according to the budgets, the Company had confirmed and allocated resources in view of the priorities of different business opportunities. The three year strategic plans are approved by the Board (subject to yearly review), annual business plans and annual budgets are also to be approved by the Board each year.
- The Company has a comprehensive account management system providing the management with an index for assessing financial and business performance as well as notifiable and discloseable financial information. In case discrepancy occurs in budgets, analysis and explanation will be made and appropriate action will be taken to rectify the problems as and when necessary.
- The Company has set up systems and procedures for confirmation, assessment, handling and controlling of risks including risks in respect of law, credit, market, centralization, operation, environment, acts and risks which may affect the Company's development.

The internal audit department will carry out independent review of confirmed risks and supervision so as to reasonably guarantee the management and audit committee that the risks are satisfactorily handled and control is fully effected.

The Company has formulated the Confidentiality Work Regulations for all employees in the Company to handle the disclosure of the relevant confidential documents and trading of securities. The employees shall comply with the relevant policy if they are aware of the confidential or insider information of the Company. The Company has announced such policy on the internal website of the Company and notified such matter to all employees in the Company.

CHIEF FINANCIAL OFFICER

The chief financial officer is in charge of the Company's financial operations and is responsible to the general manager. The chief financial officer is responsible for supervising the financial and internal control reporting issue of the Company and its subsidiaries so as to confirm that the Company is in compliance with the Listing Rules in relation to the requirements of financial reports and other relevant accounting regulations. The chief financial officer will also review previous insufficient disclosures and ensure the compliance of financial information.

The chief financial officer is responsible for preparing financial statements in accordance with the accounting principles generally accepted in the PRC and Hong Kong and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and the Stock Exchange. The chief financial officer is also responsible for arranging and preparing the Company's annual budget scheme and the annual final accounting proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the chief financial officer shall work with and give recommendation to the Board in establishing relevant internal control systems.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration for Directors and top five persons in respect of remuneration are set out in note X to the financial statements of this annual report. For the year ended 31 December 2017, the scope of remuneration for the senior management of the Company is set out below:

Scope of remuneration (RMB'000)	Number of members of senior management
0-500	3
500-1,000	1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the relevant laws and regulations and disclosure provisions of the Listing Rules.

In preparing the financial statements of the Group for the year ended 31 December 2017, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditors' statement about their reporting responsibilities on the financial statements is set out on pages 58 to 62 of this annual report.

RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER INTERESTED PARTIES

The Company is committed to ensuring that all Shareholders, especially the minority Shareholders, can enjoy equal status and fully exercise their rights.

COMPANY SECRETARY

The Company engages an external service provider company secretarial services and Mr. Shum Shing Kei is appointed as the Company Secretary. The primary contact person in the Company for Mr. Shum in relation to company secretarial matters is Mr. Wang Micheng, Executive Director and Vice Chairman of the Company. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29. The biography of the Company Secretary is set out on page 25 of this annual report.

CORPORATE GOVERNANCE REPORT

GENERAL MEETING

The general meeting which is the highest authority of the Company, exercises its rights under the law to make decisions on significant events of the Company. The Company establishes and maintains various communication channels with shareholders by way of publication of annual reports, interim reports and announcements.

The relevant reports and announcements are also published on the Company's website. Each year, the annual general meeting or extraordinary general meeting (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that the general meetings serve as an effective platform for Shareholders and provide a major venue for direct communication among Directors, Supervisors and other senior management and Shareholders and exchange of opinions with Directors, who shall report to Shareholders with regard to the Group's operations and respond to their enquiries to secure effective communications with Shareholders.

Accordingly, the Company had attached much importance to the general meetings. In addition to a 45-day notice before the holding of the general meeting, the Company requires that all Directors and senior management shall use their best endeavors to attend the general meetings. Also, all Shareholders are encouraged to attend the general meetings, at which they can make enquiries about the Company's operation status or financial data, Shareholders are welcome to express their views therein. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2017, the Company convened one annual general meeting. Please refer to the related section on page 42 for the Directors' attendance of the meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Under the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one tenth (1/10) of the paid-up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for Shareholders to convene and put forward proposals at an EGM are stated as follows:

- (1) Any one or more Shareholders holding 10% or more of the shares which carries the right of voting at such proposed meeting may require the Board to convene an extraordinary general meeting or a class meeting of Shareholders through signing one or copies of written request in the same format which contain the resolutions to be proposed at such meeting. The Board shall convene an extraordinary general meeting or a class meeting of Shareholders as soon as possible after receiving such written request. The aforesaid number of shares held shall be based on the number of shares held on the date of written request.
- (2) Where the Board fails to issue a notice of meeting within 30 days after receiving the aforesaid written request, the Shareholder(s) who made such request may convene a meeting within four months after the Board receiving such request, in the same manner, as nearly as possible, as that in which the general meetings are convened by the Board.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to cdc@cdc.com.cn or send their enquiries to the following address:

No. 18, Xinhang Road,
The West Park of Hi-tech Development Zone,
Chengdu,
Sichuan Province,
The PRC

CORPORATE GOVERNANCE REPORT

CONTROLLING SHAREHOLDER

During the Year, China Potevio is the controlling Shareholder of the Company, which holds 60% of the total issued share capital of the Company. As the controlling Shareholder of the Company, China Potevio has never overridden the general meeting to directly or indirectly intervene the Company's decision-making and operation. In 2003, in order to further improve the management of investor relations, the Company has always maintained independence of its controlling Shareholder in terms of staff, assets, finance, organization and business.

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company endeavors to comply with the requirements on information disclosure under the Listing Rules and discloses to the Shareholders and related parties all discloseable information to the best knowledge of the Company on a timely and fair basis.

The Office of the Board is responsible for information disclosure of the Company and reception of visits of its Shareholders and investors. In 2003, for further enhancement in investor relations management, the Company had formulated Information Disclosure Management System and Information Management System to ensure information disclosure on an open, fair and impartial basis and to improve the Company's transparency.

In 2017, the Company's management maintained close contact and good communication with visiting investors by meeting them. The Company provides its announcements, interim and annual reports with detailed financial information and results to Shareholders on its website (<http://cdc.com.cn>).

During the year, the resolution on amendment to the Articles of Association was considered and approved at the 2016 annual general meeting held on 23 June 2017. For details of the amendment, please refer to the circular of the Company dated 28 April 2017.

OTHER INTERESTED PARTIES

The Company is committed to providing satisfactory services to customers and room for development to employees. The Company takes efforts to improve its profitability under the principle of honesty and faithfulness with a high sense of responsibility toward its Shareholders, investors, employees, customers, suppliers and the society. At the same time, the Company oversees and develops its businesses in compliance with local rules and environmental protection regulations to improve its corporate governance, and actively participates in social services and environmental protection.

IMPROVEMENT OF CORPORATE GOVERNANCE

The Company will continue to refine the internal supervision and control of its subsidiaries. It will also strengthen the supervision of connected transactions and continuing connected transactions so as to make up for the previous delay in information disclosure due to lack of internal communication, safeguard the interest of all Shareholders and ensure the information disclosures are in compliance with the relevant requirement.

The Company will also continue to endeavor to comply with the requirements of the regulatory authorities in order to improve corporate governance and ensure the sustainable development of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

To Shareholders,

During the Year, all members of the Supervisory Committee had diligently exercised the supervisory functions of the Supervisory Committee in accordance with the relevant provisions of various laws and regulations like Company Law, Listing Rules and Articles of Association by attending all Board meetings and general meetings convened by the Company. Some members attended general manager's meetings and decision-making meetings of the Company. In 2017, the tasks of the Supervisory Committee strengthened the supervision over legality and compliance of work of the Board and operational decisions of the management as well as execution of resolutions approved by general meetings by the Board. With surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations. As for the financial position and annual reports of the Company, it listened carefully to financial manager's report with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

The Supervisory Committee would like to render its independent opinion as follows:

1. OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

The Supervisory Committee is of the opinion that during 2017, the Company operated in compliance with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, and established and continuously improved the relevant internal control systems. The Company's decision-making procedure was legitimate and all the resolutions passed at the general meetings were implemented properly.

2. DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT

The Supervisory Committee was of the opinion that the Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully and there was no abuse of rights, violation of laws or regulations or Articles of Association and no acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

3. WORK REPORT OF THE BOARD

The Supervisory Committee had a detailed review of the work report of the Board submitted by the Board for consideration at the annual general meeting for 2017 and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

4. FINANCIAL REPORT

After detailed examination of the financial system and the annual financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial and assets position and operation of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

5. OPINIONS ON MANAGEMENT IN AUDITOR'S REPORT

The Supervisory Committee considers that the Company shall make formal study on the opinions on management raised by auditors, and work out practical and feasible measures and solutions for implementation as soon as possible.

6. LITIGATIONS

In 2017, the Company had no other material litigations.

The Supervisory Committee is of the opinion that, in 2017, under the leadership of China Potevio, the Board and Supervisory Committee, the Company continued to adhere to the "Five Major Concepts", the "Five Major Missions" and the spirit of a series of documents on the "1+N" reform of state-owned enterprises. It accelerated business transformation and upgrade by deepening reform, identified issues restricting development by preparing the list of issues, and enhanced the quality and efficiency by implementing rectification measures. Through such efforts, the Company achieved a positive profit attributable to the parent company for the first time in the past seven years, and accomplished the goals and tasks set at the beginning of the year in all aspects. Although the Company exerted great efforts and also made considerable achievements on operating efficiency, industrial development and management improvement in 2017, we are clearly aware of the fact that the external environment faced by the Company is undergoing profound changes. The Company faces opportunities and challenges arising from reform and innovation and various risks that co-exist. Therefore, we must attach great importance to and take effective mitigating measures in such aspects, and formulate work arrangements with definite objectives made with consideration of the positive effect achieved and the deficiencies that exist, so as to consolidate and further the achievements and strive for sustained development by keeping results oriented and adhering to the corporate strategy.

In 2018, the Supervisory Committee will continue to exercise its function in supervising the decision- making, finance, Directors and senior management of the Company, optimize its deployment, implement specific surveillance tasks and fulfil its duties in accordance with the Company Law, the Articles of Association and relevant provisions of the Listing Rules to realize the development and improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

Zheng Zhili

Chairman of the Supervisory Committee

22 March 2018

AUDITOR'S REPORT



Add.: No. 1366 Qianjiang Rd., Hangzhou
P.C.: 310020
Tel: (0571) 8821 6888
Fax: (0571) 8821 6999

PCCPAAR [2018] No. 1-164

To the Shareholders of Chengdu PUTIAN Telecommunications Cable Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2017, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Government grants

1. Key audit matters

During the reporting period, the Company's government grants presented in notes to consolidated financial statements V.(IV).3 totaled RMB20,434,061.40, including a subsidy of RMB15,314,051.00 for the zombie company, a subsidy of RMB500,000.00 for the import growth company and RMB3,501,110.40 amortization of Land acquisition compensation in 2017. The large amount of subsidies has a significant impact on the net profit of the reporting period; therefore, government grants are regarded as a key audit matter.

2. Responsive audit procedures

- (1) We evaluated the accounting policies related to recognition and measurement of government grants.
- (2) We selected part of government grants projects as samples and checked whether the grants were received and also looked up the documents related to the samples. Based on the documents, we made sure that the Company complied with any conditions attached to the grants and that the government grants are related to income, asset, or the ordinary course of business.
- (3) For government grants related to income, we checked the expenses incurred of the grant objects and whether the expenses were included in profit or loss, to make sure that government grants included in profit or loss matched the corresponding costs.
- (4) For government grants related to asset recognized in current period and arising from the reason occurring in preceding period, we checked the total amount of capital expenditures for purchasing and constructing assets and the amount of the deferred income included in profit or loss arising from this government grants. Besides, we made sure that deferred income was averagely included in profit or loss over the useful lives of the relevant assets.

AUDITOR'S REPORT

(II) Impairment of long-term assets

1. Key audit matters

As of 31 December 2017, the Company's provision for impairment presented in notes to consolidated financial statements V.(I).12 fixed assets totaled RMB8,468,559.75 and the impairment of the fixed assets totaled RMB29,219,660.39 at the end of the 2017. Besides, the Company's provision for impairment presented in notes to consolidated financial statements V.(I).13 construction in progress totaled RMB729,128.34 and the impairment of the construction in progress totaled RMB6,648,246.45 at the end of the 2017. The large amount of impairment of fixed assets and construction in progress involves the significance judgment of the management; therefore, impairment of long-term assets is regarded as a key audit matters.

2. Responsive audit procedures

- (1) We assessed the Company's internal control related to the identification of impairment and the measurement of the recoverable amount.
- (2) We surveyed fixed assets and construction in progress and monitored stocktake to find out the existence of the indication of the impairment that the management identified.
- (3) We obtained the following disposal plan of fixed assets and construction in progress, and evaluated the rationality of the plan.
- (4) For the impairment of some fixed assets and construction in progress, we took advantage of the work of external evaluation experts, and discussed with the experts the appropriateness of the application of valuation methods under the established disposal plan.
- (5) For some fixed assets, we have obtained the fair quoted price from the independent third-party equipment recycling agency at the end of the term, and considered the relevant disposal costs.

IV. Other Information

The Company's management (the "Management") is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgement and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant: He Jiangxing
(Engagement Partner)

Chinese Certified Public Accountant: Jin Jingyu

Hangzhou • China

Date of Report: 23 March 2018

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances	1	502,739,979.20	386,016,134.79
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	2	98,266,619.18	102,488,405.74
Accounts receivable	3	122,868,157.43	94,950,926.96
Advances paid	4	28,522,959.92	22,920,549.53
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable			
Dividend receivable			
Other receivables	5	23,985,338.43	26,769,742.43
Reverse-REPO financial assets			
Inventories	6	108,342,841.35	160,106,903.80
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	7	14,278,091.00	19,451,948.98
Total current assets		899,003,986.51	812,704,612.23
Non-current assets:			
Loans and advances paid			
Available-for-sale financial assets	8	4,215,948.00	7,186,275.00
Held-to-maturity investments	9		
Long-term receivable			
Long-term equity investments	10	132,661,468.03	123,978,116.68
Investment property	11	47,332,223.22	33,556,165.40
Fixed assets	12	216,333,998.46	260,511,886.18
Construction in progress	13	2,149,526.26	5,162,289.32
Construction materials	14	18,119,088.16	
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets	15	46,988,707.45	50,230,026.36
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets	16	7,140,824.38	14,135,131.52
Other non-current assets			
Total non-current assets		474,941,783.96	494,759,890.46
Total assets		1,373,945,770.47	1,307,464,502.69

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Central bank loans			
Absorbing deposit and interbank deposit			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Perpetual bonds			
Notes payable			
Accounts payable	17	103,292,947.56	101,691,287.30
Advances received	18	28,280,760.70	34,255,233.51
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable	19	39,199,752.93	45,630,134.59
Taxes and rates payable	20	18,973,320.61	9,465,096.54
Interest payable			
Dividend payable			
Other payables	21	40,501,877.44	23,410,432.55
Reinsurance accounts payable			
Provision for insurance contracts			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		230,248,659.24	214,452,184.49
Non-current liabilities:			
Long-term borrowings	22	7,409,015.78	7,376,797.32
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term staff remuneration payables			
Special payables			
Provisions	23	650,000.00	
Deferred income	24	63,224,691.48	66,725,801.88
Deferred tax liabilities	16	525,713.35	971,262.40
Other non-current liabilities			
Total non-current liabilities		71,809,420.61	75,073,861.60
Total liabilities		302,058,079.85	289,526,046.09

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Shareholders' equity:			
Share capital	25	400,000,000.00	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve	26	651,400,779.83	651,400,779.83
Less: treasury shares			
Other comprehensive income	27	2,979,042.34	5,503,820.29
Special reserve			
Surplus reserve	28	8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit	29	-121,848,878.20	-152,174,233.00
Total equity attributable to the parent company		941,257,867.58	913,457,290.73
Non-controlling interest		130,629,823.04	104,481,165.87
Total equity		1,071,887,690.62	1,017,938,456.60
Total liabilities & shareholders' equity		1,373,945,770.47	1,307,464,502.69

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2017

Form AF-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances		258,532,206.88	211,471,242.05
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		42,373,740.85	52,927,606.95
Accounts receivable	1	77,421,442.96	69,368,191.51
Advances paid		29,151,705.84	15,725,216.74
Interest receivable			
Dividend receivable			
Other receivables	2	43,017,049.35	47,369,376.74
Inventories		50,249,768.87	63,110,894.22
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		12,998,519.79	16,243,640.05
Total current assets		513,744,434.54	476,216,168.26
Non-current assets:			
Available-for-sale financial assets		4,215,948.00	7,186,275.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	3	288,131,691.77	286,928,340.42
Investment property		69,680,479.93	45,467,041.17
Fixed assets		74,016,663.64	114,939,049.10
Construction in progress		1,323,306.21	893,647.30
Construction materials			
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets		32,821,846.61	35,732,165.56
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		7,006,135.65	13,910,862.79
Other non-current assets			
Total non-current assets		477,196,071.81	505,057,381.34
Total assets		990,940,506.35	981,273,549.60

BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2017

Form AF-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		46,339,524.38	36,916,343.01
Advances received		9,402,929.38	3,646,795.29
Employee benefits payable		21,697,160.07	22,455,391.83
Taxes and rates payable		1,566,369.97	1,199,955.95
Interest payable			
Dividend payable			
Other payables		39,334,219.53	19,965,345.87
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		118,340,203.33	84,183,831.95
Non-current liabilities:			
Long-term borrowings		7,409,015.78	7,376,797.32
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income		400,000.00	400,000.00
Deferred tax liabilities		525,713.35	971,262.40
Other non-current liabilities			
Total non-current liabilities		8,334,729.13	8,748,059.72
Total liabilities		126,674,932.46	92,931,891.67

BALANCE SHEET OF THE PARENT COMPANY

As at 31 December 2017

Form AF-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		648,262,469.64	648,262,469.64
Less: treasury shares			
Other comprehensive income		2,979,042.34	5,503,820.29
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
Undistributed profit		-195,702,861.70	-174,151,555.61
<hr/>			
Total equity		864,265,573.89	888,341,657.93
<hr/>			
Total liabilities & shareholders' equity		990,940,506.35	981,273,549.60

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

Form AC-02

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	763,966,053.96	1,332,288,885.28
Including: operating revenue	1	763,966,053.96	1,332,288,885.28
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		695,109,815.87	1,329,774,488.75
Including: operating cost	1	584,402,123.91	1,089,207,359.17
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes & surcharge for operations	2	9,852,902.39	11,633,152.25
Selling expenses	3	19,357,239.02	60,839,009.30
Administrative expenses	4	71,740,458.40	131,851,623.37
Financial expenses	5	-4,689,260.71	5,382,887.85
Assets impairment loss	6	14,446,352.86	30,860,456.81
Add: gains on changes of fair value (loss, expressed in negative figure)			
Gains/losses on hedging the net exposure (loss, expressed in negative figure)			
Investment income (loss, expressed in negative figure)	7	8,683,351.35	8,529,454.89
Including: investment income from associates and joint ventures		8,683,351.35	2,147,962.76
Gains on asset disposal (or less: losses)	8	-2,525,745.35	10,056,398.67
Gains on foreign exchange (loss, expressed in negative figure)			
Other income	9	20,284,061.40	
III. Operating profit (loss, expressed in negative figure)		95,297,905.49	21,100,250.09
Add: Non-operating revenue	10	712,813.47	4,564,860.52
Less: Non-operating expenditures	11	1,751,469.31	422,689.16
IV. Total profit (total loss, expressed in negative figure)		94,259,249.65	25,242,421.45
Less: income tax expense	12	25,785,237.68	17,984,519.81

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

Form AC-02

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
V. Net profit (loss, expressed in negative figure)		68,474,011.97	7,257,901.64
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		68,474,011.97	7,257,901.64
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		30,325,354.80	-16,103,263.89
2. Non-controlling interest (or less: net loss)		38,148,657.17	23,361,165.53
VI. Other comprehensive income after tax	13	-2,524,777.95	-1,341,690.15
Net other comprehensive income attributable to owners of the parent company		-2,524,777.95	-1,341,690.15
(I) Not reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit liability/ asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss		-2,524,777.95	-1,341,690.15
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets		-2,524,777.95	-1,341,690.15
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation difference of financial statements in foreign currencies			
6. Others			
Net other comprehensive income after tax attributable to non- controlling interest			
VII. Total comprehensive income		65,949,234.02	5,916,211.49
Items attributable to owners of parent company		27,800,576.85	-17,444,954.04
Items attributable to non-controlling interest		38,148,657.17	23,361,165.53
VIII. Earnings per share("EPS"):			
(I) Basic EPS (RMB/share)		0.08	-0.04
(II) Diluted EPS (RMB/share)		0.08	-0.04

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

INCOME STATEMENT OF THE PARENT COMPANY

For the year ended 31 December 2017

Form AF-02

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	235,815,494.74	216,560,953.42
Less: Operating cost	1	213,537,214.26	197,287,122.86
Taxes & surcharge for operations		4,258,784.00	3,548,603.85
Selling expenses		4,596,142.68	10,561,392.48
Administrative expenses	2	41,897,558.29	49,567,259.48
Financial expense		-3,319,850.47	-3,598,786.19
Assets impairment loss		17,480,128.84	8,233,914.53
Add: Gain on changes of fair value (losses, expressed in negative figures)			
Gains/losses on hedging the net exposure (loss, expressed in negative figure)			
Investment income (losses, expressed in negative figures)	3	26,683,351.35	18,242,542.42
Including: investment income from associates and joint ventures		8,683,351.35	6,481,461.82
Gains on asset disposal (or less: losses)		145,128.30	10,029,690.21
Other income		677,700.00	
II. Operating profit (losses, expressed in negative figures)		-15,128,303.21	-20,766,320.96
Add: Non-operating revenue		481,724.26	378,450.00
Less: Non-operating expenditures			61,875.46
III. Profit before tax (total loss, expressed in negative figures)		-14,646,578.95	-20,449,746.42
Less: Income tax		6,904,727.14	1,363,295.39
IV. Net profit (net loss, expressed in negative figures)		-21,551,306.09	-21,813,041.81
(I). Net profit from continuing operations (or less: net loss)		-21,551,306.09	-21,813,041.81
(II). Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax		-2,524,777.95	-1,341,690.15
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss		-2,524,777.95	-1,341,690.15
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets		-2,524,777.95	-1,341,690.15
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Profit or loss on cash flow hedging			
5. Translation reserve			
6. Others			
VI. Total comprehensive income		-24,076,084.04	-23,154,731.96
VII. Earnings per share("EPS"):			
(I) Basic EPS (RMB/share)			
(II) Diluted EPS (RMB/share)			

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Form AC-03
Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		730,974,754.72	1,184,904,219.18
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts of original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Net increase of trading financial assets disposal			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Receipts of tax refund			6,213.49
Other cash receipts related to operating activities	1	121,189,373.83	85,435,565.69
Subtotal of cash inflows from operating activities		852,164,128.55	1,270,345,998.36
Cash payments for goods purchased and services received		496,295,820.85	822,954,816.49
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payment of insurance indemnities of original insurance contracts			
Cash payment of interest, handling charges and commission			
Cash payment of policy bonus			
Cash paid to and on behalf of employees		67,490,700.64	125,103,593.10
Cash payments of taxes and rates		48,011,335.18	65,662,533.85
Other cash payments related to operating activities	2	78,486,084.43	217,745,035.66
Subtotal cash outflows from operating activities		690,283,941.10	1,231,465,979.10
Net cash flows from operating activities		161,880,187.45	38,880,019.26

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

Form AC-03

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
II. Cash flows from investing activities:			
Cash received from return of investments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		3,384,332.50	14,796,071.04
Net cash received from the disposal of subsidiaries & other business units			71,765,474.42
Other cash receipts related to investing activities	3		60,000,000.00
Subtotal of cash inflows from investing activities		3,384,332.50	146,561,545.46
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		28,913,873.36	35,544,851.99
Cash paid for acquiring investments			
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		28,913,873.36	35,544,851.99
Net cash flows from investing activities		-25,529,540.86	111,016,693.47
III. Cash flows from financing activities:			
Cash received from investment by others			8,611,800.00
Including: cash received by subsidiaries from non-controlling owners			8,611,800.00
Cash received from borrowings			160,000,000.00
Cash received from issuing of bonds			
Other cash receipts related to financing activities	4		50,000,000.00
Subtotal of cash inflows from financing activities			218,611,800.00
Cash repayments of borrowings		459,138.58	272,141,706.21
Cash paid for distribution of dividends or profits and for interest expenses		12,115,291.76	16,484,416.08
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners		12,000,000.00	5,389,720.40
Other cash payments related to financing activities	5		50,000,000.00
Subtotal of cash outflows from financing activities		12,574,430.34	338,626,122.29
Net cash flows from financing activities		-12,574,430.34	-120,014,322.29
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-262,803.22	-9,029.14
V. Net increase in cash and cash equivalents		123,513,413.03	29,873,361.30
Add: Opening balance of cash and cash equivalents		331,032,951.89	301,159,590.59
VI. Closing balance of cash and cash equivalents		454,546,364.92	331,032,951.89

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year ended 31 December 2017

Form AF-03

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		156,541,828.31	112,485,771.35
Receipts of tax refund			
Other cash receipts related to operating activities		74,436,022.26	16,322,162.21
Subtotal of cash inflows from operating activities		230,977,850.57	128,807,933.56
Cash payments for goods purchased and services received		135,133,745.31	126,977,762.55
Cash payment to and on behalf of employees		26,947,887.81	25,905,469.34
Cash payments for taxes and rates		4,649,483.29	5,436,399.96
Other cash payments related to operating activities		49,646,423.41	31,249,015.37
Subtotal of cash outflows from operating activities		216,377,539.82	189,568,647.22
Net cash flows from operating activities		14,600,310.75	-60,760,713.66
II. Cash flows from investing activities:			
Cash received from return of investments			
Cash received from investments gains		18,000,000.00	8,084,580.60
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		3,054,457.50	14,659,987.40
Net cash receipts from disposals of subsidiaries and other business units			116,176,500.00
Other cash receipts related to investing activities		13,000,000.00	
Subtotal of cash inflows from investing activities		34,054,457.50	138,921,068.00
Cash payments to acquire fixed assets, intangible assets and other long-term assets		1,019,373.08	6,318,020.91
Cash payments for investments			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			5,000,000.00
Subtotal of cash outflows from investing activities		1,019,373.08	11,318,020.91
Net cash flows from investing activities		33,035,084.42	127,603,047.09

CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year ended 31 December 2017

Form AF-03

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash receipts from investment by others			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflows from financing activities			
<hr/>			
Cash repayments of borrowings		459,138.58	141,706.21
Cash payments for distribution of dividends or profit or interest expenses		115,291.76	117,455.19
Other cash payments related to financing activities			
<hr/>			
Subtotal of cash outflows from financing activities		574,430.34	259,161.40
<hr/>			
Net cash flows from financing activities		-574,430.34	-259,161.40
<hr/>			
IV. Effect of foreign exchange rate changes on cash and cash equivalents			-233,634.05
<hr/>			
V. Net increase in cash and cash equivalents			66,349,537.98
Add: Opening balance of cash and cash equivalents		211,471,242.05	145,121,704.07
<hr/>			
VI. Closing balance of cash and cash equivalents			211,471,242.05

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

Form AC-04
Monetary unit: RMB Yuan

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Items	Current period cumulative											Preceding period comparative										
	Shareholders' equity attributable to parent company					Other equity instruments						3. Unrelated equity attributable to parent company										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Special reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
I. Balance at the end of prior year	460,000,000.00				651,640,779.83		5,593,838.29	8,776,523.61			-153,174,233.00	10,448,116.87	1,077,938,456.60	400,000,000.00	651,640,779.83	6,845,016.44	8,776,523.61			-150,703,961.11	330,697,119.21	1,281,599,354.02
Add: cumulative changes of accounting policies																						
Errata correction of prior period																						
Business combination under common control																						
Others																						
II. Balance at the beginning of current year	460,000,000.00				651,640,779.83		5,593,838.29	8,776,523.61			-153,174,233.00	10,448,116.87	1,077,938,456.60	400,000,000.00	651,640,779.83	6,845,016.44	8,776,523.61			-150,703,961.11	330,697,119.21	1,281,599,354.02
III. Current period increase (decrease) expressed in aggregate figure																						
(I) Total comprehensive income						-3,524,777.95	-3,524,777.95				36,325,354.00	24,148,657.17	53,949,234.02			-1,541,690.15				-18,032,829.89	-4,462,153.93	-26,866,656.40
(II) Capital contribution which by owners																						
1. Capital contribution by owners																						
2. Capital contribution by holder of other equity instruments																						
3. Amount of share placement included in equity																						
4. Others																						
(III) Profit distribution																						
1. Appropriation of surplus reserve																						
2. Appropriation of general risk reserve																						
3. Appropriation of profit to owners (shareholders)																						
4. Others																						
(IV) Internal transfer over with equity																						
1. Transfer of capital reserve to capital																						
2. Transfer of surplus reserve to capital																						
3. Surplus reserve to cover loss																						
4. Others																						
(V) Special reserve																						
1. Appropriation of current period																						
2. Application of current period																						
(VI) Others																						
IV. Balance at the end of current period	460,000,000.00				651,640,779.83	2,979,061.34	2,979,061.34	8,776,523.61			-118,488,778.39	13,642,923.04	1,077,887,691.62	400,000,000.00	651,640,779.83	5,323,326.29	8,776,523.61			-153,174,233.00	194,481,038.71	1,077,938,456.60

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year ended 31 December 2017

Items	Current period cumulative										Preceding period comparative									
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Total equity	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Total equity
I. Balance at the end of prior year	400,000,000.00				648,322,469.64	5,593,202.29	8,726,932.61	-174,151,555.61	188,341,657.93	400,000,000.00	68,174,293.10				68,451,004.4		68,451,004.4	87,26,932.61	-146,403,083.14	913,344,133.01
Adj: Cumulative changes of accounting policies																				
Error correction of prior period																				
Others																				
II. Balance at the beginning of current year	400,000,000.00				648,322,469.64	5,593,202.29	8,726,932.61	-174,151,555.61	188,341,657.93	400,000,000.00	68,174,293.10				68,451,004.4		68,451,004.4	87,26,932.61	-146,403,083.14	913,344,133.01
III. Current period increase (decrease), expressed in negative figures																				
(i) Total comprehensive income						-2,524,777.95														
(ii) Capital contributed (or withdrawn) by owners																				
1. Capital contributed by owners																				
2. Capital contributed by holders of other equity instruments																				
3. Amount of share-based payment included in equity																				
4. Others																				
(iii) Profit distribution																				
1. Appropriation of surplus reserve																				
2. Appropriation of profit to owners																				
3. Others																				
(iv) Internal carry-over within equity																				
1. Transfer of capital reserve to capital																				
2. Transfer of surplus reserve to capital																				
3. Surplus reserve to cover losses																				
4. Others																				
(v) Special reserve																				
1. Appropriation of current period																				
2. Application of current period																				
(vi) Others																				
IV. Balance at the end of current period	400,000,000.00				648,322,469.64	2,979,042.34	8,726,932.61	-195,702,861,708.64	265,573.89	400,000,000.00	68,202,469.64				510,820.29		510,820.29	87,26,932.61	-174,151,555.61	888,341,057.93

Legal Representative: Zhang Xiaocheng

Chief Financial Officer of the Company: Yu Qian

Financial Manager: Peng Xiaoli

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

I. COMPANY PROFILE

The Company was established and registered with the Chengdu Administration Bureau of Industry and commerce on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as "China PUTIAN Corporation Limited"), as an independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province of The People's Republic of China (The "PRC"), and holds a social credit code numbered 9151010020193968XY. The registered capital of the Company is RMB400,000,000 of which: equity interest of China Potevio Company Limited amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. There are a total of 400,000,000 shares in issue with the nominal value of RMB1 each. The shares of the Company were listed on the Stock Exchange of Hong Kong on 13 December 1994.

The Company engages in the manufacturing industry. Business scope includes: electric wire and cable, optical fiber and cable, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State) devices and equipment technology research and development, product manufacturing, sales and service, electrical technology development, transfer, consultation and related supporting services; design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in communities, computer network engineering and communication engineering and equipment (excluding contracted work for power facilities installation (repair & test)); wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agency (except by auction), import and export proprietary goods and similar commodities; owned real estate, machinery leasing, and property management.

These financial statements have been approved by the Board on 23 March 2018 at the 25th meeting of the 8th session.

The Company has acquired subsidiaries including Chengdu Zhongling Radio Communications Co., Ltd., Chengdu SEI Optical Fiber Co., Ltd., Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant and Chongqing Putaifeng Aluminium Co., Ltd., into the consolidated financial statements of the current period. Please refer to notes to changes in the consolidated scope and interest in other entities for details.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Important note: The Company has set up accounting policies and estimates on transactions or events such as provision for bad debts of receivables, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(V) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 — Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.
2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:
 - (1) its assets, including its share of any assets held jointly;
 - (2) its liabilities, including its share of any liabilities incurred jointly;
 - (3) its revenue from the sale of its share of the output arising from the joint operation;
 - (4) its share of the revenue from the sales of the output by the joint operation; and
 - (5) its expenses, including its share of any expenses incurred jointly.

(VIII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(IX) Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

(X) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to "CASBE 13 — Contingencies"; 2) the surplus after accumulative amortization as determined according to "CASBE 14 — Revenues".

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset to the transferee, it derecognizes the financial asset. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset, and the consideration received is recognized as a financial liability. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company gives up its control over the financial asset, it derecognizes the financial asset; (2) if the Company does not give up its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs.
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

5. Impairment test and provision for impairment loss of financial assets

- (1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.
- (2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.
- (3) *Available-for-sale financial assets*
 - 1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:
 - a. significant financial difficulties in the debtor;
 - b. breach of contract by the debtor, such as principal or interest past due or default;
 - c. concessions made to debtors with financial difficulties considering economic and legal factors;
 - d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
 - e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or
 - f. Other circumstances indicating that available-for-sale debt instrument may be impaired.
 - 2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

The Company performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months or longer but not exceeding 12 months, the Company may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Company considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Financial instruments (Continued)

5. Impairment test and provision for impairment loss of financial assets (Continued)

(3) Available-for-sale financial assets (Continued)

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

(XI) Receivables

1. Receivables of individually significant amount and with provision made on an individual basis

Judgment basis or amount criteria of individually significant amount

Receivables amounting to more than 5 million yuan (including 5 million yuan)

Provision method for receivables of individually significant amount and with provision made on an individual basis

The impairment of receivables of individually significant amount individually is individually tested. If there is objective evidence which indicates that receivables may be impaired at the balance sheet date, the carrying amount of the said financial asset is written down to the current value of the predicted future cash flow. If the financial asset is not impaired in the test, bad debt provision is provided using the following aging analysis, taking into account the credit characteristic of receivables analysed by age, actual bad debts experience of identical or similar receivable portfolios in previous years and the current status.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XI) Receivables (Continued)

2. Receivables with provision made on a collective basis using portfolios with similar credit risk features

(1) *Specific portfolios and provision method*

Provision method of provision being made on collective basis using portfolios with similar credit risk features:

Portfolio grouped with age Age analysis method

(2) *Age analysis method*

Ages	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive, the same hereinafter)		
1-2 years	10.00	10.00
2-3 years	30.00	30.00
3-5 years	80.00	80.00
Over 5 years	100.00	100.00

3. Receivables of individually insignificant amount but with provision made on an individual basis

Reasons for provision made on an individual basis

There is objective evidence indicates that the receivable is impaired and provision for bad debts using aging analysis does not reflect the actual situation of the receivable.

Provision method

Difference between the carrying values of receivables and present value of estimated future cash flows is recognised as provision. For individually insignificant receivables with no impairment indicator after impairment assessment performed on an individual basis, bad debt provision is provided using the following aging analysis, taking into account the credit characteristic of receivables analysed by age, actual bad debts experience of identical or similar receivable portfolios in previous years and the current status.

For other receivables such as notes receivable, interest receivable and long-term receivable, etc., provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Raw materials, semi-finished goods, finished goods and supplementary materials are recorded based on standard costs as planned, and adjusted to actual costs incurred at each period end. Subcontracted materials are measured using the average method and actual costs incurred.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) *Low-value consumables*

Low-value consumables are amortized with one-off method.

(2) *Packages*

Packages are amortized with one-off method.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups as held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met:

a. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b. its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of “expected to be completed within one year” is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: (1) a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; (2) a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Measurement of non-current assets or disposal groups as held for sale

(1) Initial measurement and remeasurement

For initial measurement and remeasurement as at the balance sheet date of a non-current asset or disposal group as held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

The assets impairment loss recognized for a disposal group as held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current assets' carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets as held for sale or non-current assets in disposal groups as held for sale, while interest and other expenses attributable to the liabilities of a disposal group as held for sale shall continue to be recognized.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Non-current assets or disposal groups classified as held for sale (Continued)

2. Measurement of non-current assets or disposal groups as held for sale (Continued)

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reserved.

When there is an subsequent increase in fair value less costs to sell of a disposal group as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reserved.

The subsequent reversal of the impairment loss that has been recognized in a disposal group as held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current assets (excluding goodwill) in the disposal group.

(3) Non-current asset or disposal group that is no longer classified as held for sale and derecognized

A non-current asset or disposal group that does not met criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of: a. its carrying amount before it was classified as held for sale, adjusted for any depreciation. Amortization or impairment that would have been recognized had it not been classified as held for sale; and b. its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

(XIV) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

2. Determination of investment cost

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

- (2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

- 1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.
- 2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.
- (3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE 12 — Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE 7 — Non-cash Assets Exchange”.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIV) Long-term equity investments (Continued)

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is reclassified as available-for-sale financial assets, and accounted for according to "CASBE 22 — Financial Instruments: Recognition and Measurement".

(2) Consolidated financial statements

- 1) Disposal of a subsidiary in stages not qualified as "bundled transaction" resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

- 2) Disposal of a subsidiary in stages qualified as "bundled transaction" resulting in the Company's loss of control

In case of "bundled transaction", stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XV) Investment property

- Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.
- The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XVI) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	15–30	3	3.23–6.47
Machinery	Straight-line method	5–18	3	5.39–19.40
Transport facilities	Straight-line method	4–6	3	16.17–24.25
Other equipment	Straight-line method	4–15	3	6.47–24.25

(XVII) Construction in progress

- Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
- Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

- (1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
- (2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.
- (3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.
2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	50
Patent right	10–15
Others	10–15

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually. “Indefinite useful life” refers to:

- (1) For intangible assets derived from contractual rights or other legal rights, there are no explicit years of use stipulated in the contract or laws and regulations;
 - (2) Useful life cannot be estimated after considering industrial practice or relevant expert opinion.
3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset:

Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset: research stage involves activities carried out for planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to develop new or improved plant and equipment and produce new or improved materials and products is regarded as development phase, which has the characteristics of pin-pointing and high probability of concluding results.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Impairment of part of non-current assets

For non-current assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such non-current assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

(XXI) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XXII) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Employee benefits (Continued)

3. Post-employment benefits (Continued)

- 2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;
- 3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of re-measurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

(XXIII) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.
2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Revenue

1. Revenue recognition principles

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

(3) Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

2. Revenue recognition method adopted by the Company

The Company's main products are copper cables and related products, optical cable and related products and cable joint and related products. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably. Revenue from overseas sales is recognized if, and only if, the following conditions are all met: the Company has declared goods to the customs and the goods have departed from the port to the purchaser based on contractual agreements; the Company has obtained a bill of lading; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXV) Government grants

1. Government grants related to assets

Government grants related to assets are government grants, with which the Company purchase, construct or otherwise acquire non-current assets. They are recognized as deferred income, and included in profit or loss on a systematic basis over the useful lives of the relevant assets, and included in profit or loss. Those measured at notional amount is directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

2. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

3. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

(XXVI) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.
3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVII) Leases

Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

(XXVIII) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company that:

- (1) engages in business activities from which it may earn revenues and incur expenses;
- (2) whose financial performance are regularly reviewed by Management to make decisions about resource to be allocated to the segment and assess its performance; and
- (3) for which financial information regarding financial position, financial performance and cash flows is available.

(XXIX) Critical accounting judgements and estimates

In the course of preparing financial statements, the Company has used estimates and assumptions, which may have effects on the application of accounting policies and amount of assets, liabilities, revenue and expenses. Concerning the discrepancy in practice, the Company performs ongoing assessment on key assumptions and key sources of estimation uncertainty. Effects arising from changes in accounting estimates are recognized at the period when such change occurs and subsequent period onwards.

Key sources of estimation uncertainty are:

1. Recognition of deferred tax assets

As stated in deferred tax assets/liabilities under section III, deferred tax assets are recognized based on the deductible temporary difference (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) between the carrying amount and the tax base of assets or liabilities and the applicable tax rate at the time when such asset is collected or such liability is liquidated. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIX) Critical accounting judgements and estimates (Continued)

2. Provision for bad debts

As stated in receivables under section III, the Company performs individual impairment test on receivables of individually significant amount and with provision made on an individual basis, and provision for bad debts is made on the difference between the present value of future cash flow and the carrying amount. For receivable portfolios of individually insignificant amount but with critical credit risk, provision for bad debt is made based on the portfolio structure and similar credit risk features (debtor's ability to pay debt based on contractual terms) and estimated loss by considering historic losses and debtor's economic conditions at the difference between the present value of future cash flow and the carrying amount. For receivables of individually insignificant amount but with provision made on an individual basis, individual impairment test is performed and provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

3. Provision for inventory write-down

As stated in inventories under section III, at the balance sheet date, inventories are measured at the lower of cost or net realizable value; provision for inventory write-down is made on the difference between the cost and the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Impairment of non-current assets

As stated in impairment of part of non-current assets under section III, for non-current assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of group of assets. When the measurement result indicates that the recoverable amount of such non-current assets is lower than their carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as assets impairment loss through profit or loss, and provision for impairment loss of assets is made accordingly.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXX) Significant changes in accounting policies

1. The Company has adopted "CASBE 42 — Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations" promulgated by Ministry of Finance of PRC since May 28, 2017, and has adopted "CASBE 16 — Government Grants" revised by Ministry of Finance of PRC since June 12, 2017. The change is applicable to prospective application method.
2. The Company prepared the financial statements for the year ended December 31, 2017 in accordance with "Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises" (numbered Cai Kuai [2017] 30), and gains and losses on disposal of non-current assets and gains and losses on trading of non-cash assets which originally presented under the items "Non-operating revenue" and "Non-operating expenditures" were presented under the item "Gains on asset disposal". As this change is applicable to retrospective application method, non-operating revenue and non-operating expenditures of 2016 are respectively decreased by 10,087,197.98 yuan and 30,799.31 yuan, while gains on asset disposal is increased by 10,056,398.67 yuan.

IV. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	17%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%, 25%
Urban and township land use tax	Actual area of land occupied	RMB6/m ² , RMB8/m ²

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

IV. TAXES (CONTINUED)

(I) Main taxes and tax rates (Continued)

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	15%
Chengdu SEI Optical Fiber Co., Ltd.	15%
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	25%
Chengdu Zhongling Radio Communications Co., Ltd.	15%
Chongqing Putaifeng Aluminium Co., Ltd.	25%

(II) Tax preferential policies

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuangaoqiren [2015] No. 7), the Company was recognised as a high-tech enterprise and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

Pursuant to the Administrative Measures for the Determination of High and New Tech Enterprises (No. 172 [2008] of the Ministry of Science and Technology), Guidelines for the Determination of High and New Tech Enterprises (No. 362 [2008] of the Ministry of Science and Technology) and High-tech Enterprises Recognition Committee of Sichuan Province (Chuangaoqiren [2014] No.6), the Company's subsidiaries, namely, Chengdu SEI Optical Fiber Co., Ltd., Chengdu Zhongling Radio Communications Co., Ltd. were recognised as high-tech enterprises and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2017 to 2019.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Opening balance
Cash on hand	38,363.08	44,151.48
Cash in bank	500,500,027.48	360,543,236.26
Other cash and bank balances	2,201,588.64	25,428,747.05
Total	502,739,979.20	386,016,134.79

(2) Other remarks

As at 31 December 2017, the balance of letter of credit deposits and note guarantee deposits of other cash and bank balances was RMB2,201,588.63. There was RMB45,992,025.65 of time deposits used for pledging. Those cash and bank balances mentioned above were restricted.

2. Notes receivable

(1) Details

Items	Closing balance		Carrying amount
	Book balance	Provision for bad debts	
Bank acceptance	94,319,558.49		94,319,558.49
Trade acceptance	3,947,060.69		3,947,060.69
Total	98,266,619.18		98,266,619.18

Items	Opening balance		Carrying amount
	Book balance	Provision for bad debts	
Bank acceptance	101,514,684.31		101,514,684.31
Trade acceptance	973,721.43		973,721.43
Total	102,488,405.74		102,488,405.74

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

2. Notes receivable (Continued)

(2) *Endorsed or discounted but undue notes at the balance sheet date*

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	29,348,803.24	
Subtotal	29,348,803.24	

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company is still jointly liable to the holder of bank acceptance, according to the China Commercial Instrument Law.

3. Accounts receivable

(1) *Details*

1) Details of different categories of accounts receivable

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	156,340,265.40	89.03	33,472,107.97	21.41	122,868,157.43
Receivable of individually insignificant amount but with provision made on an individual basis	19,254,656.70	10.97	19,254,656.70	100.00	
Total	175,594,922.10	100.00	52,726,764.67	30.03	122,868,157.43

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

1) Details of different categories of accounts receivable (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	128,296,232.31	87.40	33,345,305.35	25.99	94,950,926.96
Receivable of individually insignificant amount but with provision made on an individual basis	18,499,628.06	12.60	18,499,628.06	100.00	
Total	146,795,860.37	100.00	51,844,933.41	35.32	94,950,926.96

2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	104,951,589.51		
1-2 years	5,137,470.45	513,747.05	10.00
2-3 years	17,025,879.98	5,107,763.98	30.00
3-5 years	6,873,642.58	5,498,914.06	80.00
Over 5 years	22,351,682.88	22,351,682.88	100.00
Subtotal	156,340,265.40	33,472,107.97	21.41

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	64,492,134.27		
1-2 years	24,922,210.97	2,492,221.11	10.00
2-3 years	9,903,491.47	2,971,047.44	30.00
3-5 years	5,481,793.97	4,385,435.17	80.00
Over 5 years	23,496,601.63	23,496,601.63	100.00
Subtotal	128,296,232.31	33,345,305.35	25.99

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(2) Age analysis

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	104,951,589.51		
1–2 years	5,137,470.45	513,747.05	10.00
2–3 years	17,025,879.98	5,107,763.98	30.00
3–5 years	6,873,642.58	5,498,914.06	80.00
Over 5 years	41,606,339.58	41,606,339.58	100.00
Total	175,594,922.10	52,726,764.67	30.03

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	64,492,134.27		
1–2 years	24,922,210.97	2,492,221.11	10.00
2–3 years	9,903,491.47	2,971,047.44	30.00
3–5 years	5,481,793.97	4,385,435.17	80.00
Over 5 years	41,996,229.69	41,996,229.69	100.00
Total	146,795,860.37	51,844,933.41	35.32

The analysis of aging of accounts receivable is based on the month of offering credit to clients. The early accounts receivable will be collected firstly, when clients turn over capital.

The credit terms granted to customers are generally 1 to 12 months. Accounts receivable that past due are reviewed by Management on a regular basis.

(3) Provisions for bad debts made, collected or reversed in current period

Provision for bad debts made in current period totaled RMB881,831.26, and reversed in current period totaled RMB0.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
China Potevio Company Limited	42,233,063.23	24.05	
Shenzhen ZTE Kangxun Telecom Company Limited	25,585,818.17	14.57	
Zhuzhou Zhongche Times Electric Company Limited	6,306,334.35	3.59	
Jiangsu Ronglian Technology Development Co., Ltd.	4,905,776.40	2.79	
Jiangsu Hengtong Fiber Optics Technology Co., Ltd.	3,716,307.55	2.12	
Subtotal	82,747,299.70	47.12	

4. Advances paid

(1) Age analysis

1) Details of ages

Ages	Book balance	Closing balance		Carrying amount
		% to total	Provision for bad debts	
Within 1 year	13,991,890.67	49.05		13,991,890.67
1-2 years	14,417,939.93	50.55		14,417,939.93
2-3 years	800.00	0.01		800.00
Over 3 years	112,329.32	0.39		112,329.32
Total	28,522,959.92	100.00		28,522,959.92

Ages	Book balance	Opening balance		Carrying amount
		% to total	Provision for bad debts	
Within 1 year	22,807,401.81	99.50		22,807,401.81
1-2 years	818.40	0.01		818.40
2-3 years	4,875.00	0.02		4,875.00
Over 3 years	107,454.32	0.47		107,454.32
Total	22,920,549.53	100.00		22,920,549.53

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

4. Advances paid (Continued)

(1) Age analysis (Continued)

2) Reasons for unsettlement on advances paid with age over one year and significant amount

Debtors	Closing balance	Reasons for unsettlement
Hangzhou Honyar Electrical Co., Ltd.	14,371,475.17	The contract is unfinished.
Subtotal	14,371,475.17	

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Hangzhou Honyar Electrical Co., Ltd.	21,293,666.17	74.65
Hangzhou Honyar Trade Co., Ltd.	4,698,187.24	16.47
Heraeus Noblelight Co., Ltd.	788,909.11	2.77
Sumitomo Electric Asia Ltd	718,900.36	2.52
Jinniu District Hua Hongsheng metal products Sales Department	142,697.50	0.50
Subtotal	27,642,360.38	96.91

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

5. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	48,740,143.38	92.13	24,754,804.95	50.79	23,985,338.43
Receivable of individually insignificant amount but with provision made on an individual basis	4,162,514.56	7.87	4,162,514.56	100.00	
Total	52,902,657.94	100.00	28,917,319.51	54.66	23,985,338.43

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	51,066,184.47	92.88	24,296,442.04	47.58	26,769,742.43
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	7.12	3,913,573.65	100.00	
Total	54,979,758.12	100.00	28,210,015.69	51.31	26,769,742.43

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

5. Other receivables (Continued)

(1) Details (Continued)

2) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	18,713,225.55		
1-2 years	5,594,933.16	559,493.32	10.00
2-3 years	159,375.92	47,812.78	30.00
3-5 years	625,549.47	500,439.57	80.00
Over 5 years	23,647,059.28	23,647,059.28	100.00
Subtotal	48,740,143.38	24,754,804.95	50.79

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	26,300,454.45		
1-2 years	238,492.57	23,849.25	10.00
2-3 years	125,549.47	37,664.85	30.00
3-5 years	833,800.18	667,040.14	80.00
Over 5 years	23,567,887.80	23,567,887.80	100.00
Subtotal	51,066,184.47	24,296,442.04	47.58

(2) Provisions made, collected or reversed in current period

Provisions for bad debts made in current period totaled RMB707,303.82, and reversed in current period totaled RMB0.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

5. Other receivables (Continued)

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	8,646,815.59	6,587,849.51
Call loans	10,000,000.00	10,000,000.00
Temporary advance payment receivable	34,255,842.35	38,391,908.61
Total	52,902,657.94	54,979,758.12

(4) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Chengdu Bada Connector Co., Ltd.	Call loans, temporary advance payment receivable	10,212,371.31	Within 1 year	19.30	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	15.86	8,391,138.00
Putian Intelligent Lighting Research Institute Co., Ltd.	Temporary advance payment receivable	5,564,655.38	1-2 years	10.52	556,465.54
Tianyun Technology (Suzhou) Co., Ltd.	Deposit as security	4,786,324.75	Over 5 years	9.05	4,786,324.75
Shenzhen Fu Zhang Company	Temporary advance payment receivable	3,566,915.53	Over 5 years	6.74	3,566,915.53
Subtotal		32,521,404.97		61.47	17,300,843.82

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

6. Inventories

(1) Details

Items	Book balance	Closing balance Provision for write-down	Carrying amount
Raw materials	29,076,830.41	3,209,371.10	25,867,459.31
Revolving materials (packages and low-value consumables)			
Semi-finished goods and work in process	13,329,376.98	6,494,382.29	6,834,994.69
Goods on hand	91,401,371.08	15,760,983.73	75,640,387.35
Others			
Total	133,807,578.47	25,464,737.12	108,342,841.35

Items	Book balance	Opening balance Provision for write-down	Carrying amount
Raw materials	50,245,386.01	13,017,161.36	37,228,224.65
Revolving materials (packages and low-value consumables)	2,550,623.56	2,549,849.56	774.00
Semi-finished goods and work in process	20,318,844.07	11,817,273.33	8,501,570.74
Goods on hand	141,786,147.28	37,528,331.45	104,257,815.83
Others	10,118,518.58		10,118,518.58
Total	225,019,519.50	64,912,615.70	160,106,903.80

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

6. Inventories (Continued)

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase Provision
Raw materials	13,017,161.36	322,968.86
Revolving materials (packages and low-value consumables)	2,549,849.56	
Semi-finished goods and work in process	11,817,273.33	938,773.61
Goods on hand	37,528,331.45	4,150,164.72
Subtotal	64,912,615.70	5,411,907.19

Items	Decrease Reversal	written-off	Closing balance
Raw materials	1,674.74	10,129,084.38	3,209,371.10
Revolving materials (packages and low-value consumables)	2,549,849.56		
Semi-finished goods and work in process	17,254.84	6,244,409.81	6,494,382.29
Goods on hand	1,733,447.92	24,184,064.52	15,760,983.73
Subtotal	1,752,377.50	43,107,408.27	25,464,737.12

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

At the end of period, the net realizable value of raw materials, semi-finished goods and work in process is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business.

Reason for provision for inventory write-down made in current period is that partial unsalable rail traffic cables declined in realizable value.

Reason for reversal of provision for inventory write-down is that reasons for which provisions were made have disappeared.

Reason for written-off of provision for inventory write-down is that inventories for which provisions were made have been sold out.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

7. Other current assets

Items	Closing balance	Opening balance
Input VAT to be credited	14,278,091.00	19,451,948.98
Total	14,278,091.00	19,451,948.98

8. Available-for-sale financial assets

(1) Details

Items	Book balance	Closing balance Provision for impairment	Carrying amount
Available-for-sale debt instrument			
Available-for-sale equity instrument	10,840,948.00	6,625,000.00	4,215,948.00
Including: at fair value	4,215,948.00		4,215,948.00
at cost	6,625,000.00	6,625,000.00	
Total	10,840,948.00	6,625,000.00	4,215,948.00

Items	Book balance	Opening balance Provision for impairment	Carrying amount
Available-for-sale debt instrument			
Available-for-sale equity instrument	13,811,275.00	6,625,000.00	7,186,275.00
Including: at fair value	7,186,275.00		7,186,275.00
at cost	6,625,000.00	6,625,000.00	
Total	13,811,275.00	6,625,000.00	7,186,275.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

8. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets at fair value

Categories of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Subtotal
Cost of equity instrument/amortized cost of debt instrument	711,192.32		711,192.32
Fair value	4,215,948.00		4,215,948.00
Changes in fair value through other comprehensive income	3,504,755.68		3,504,755.68
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Impairment losses accrued			

(3) Available-for-sale financial assets at cost

Investees	Opening balance	Book balance		Closing balance
		Increase	Decrease	
Sichuan New Dragon Network Technology Co., Ltd.	1,535,000.00			1,535,000.00
Chengdu South Star Thermo Power Co., Ltd.	5,000,000.00			5,000,000.00
Shudu Mansion	90,000.00			90,000.00
<hr/>				
Subtotal	6,625,000.00			6,625,000.00

Investees	Opening balance	Provision for impairment			Holding proportion in investees (%)	Cash dividend in current period
		Increase	Decrease	Closing balance		
Sichuan New Dragon Network Technology Co., Ltd.	1,535,000.00			1,535,000.00	16.65	
Chengdu South Star Thermo Power Co., Ltd.	5,000,000.00			5,000,000.00	7.14	
Shudu Mansion	90,000.00			90,000.00		
<hr/>						
Subtotal	6,625,000.00			6,625,000.00		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

8. Available-for-sale financial assets (Continued)

(4) Movement in provision for impairment of available-for-sale financial assets

Categories of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Subtotal
Provision balance at the beginning of the period	6,625,000.00		6,625,000.00
Provision made in current period			
Including: Transferred in from other comprehensive income			
Provision decreased in current period			
Including: Subsequently reversed due to recovery in fair value			
Provision balance at the end of the period	6,625,000.00		6,625,000.00

9. Held-to-maturity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Long-term bond investments	60,000.00	60,000.00		60,000.00	60,000.00	
Total	60,000.00	60,000.00		60,000.00	60,000.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

10. Long-term equity investments

(1) Categories

Items	Book balance	Closing balance Provision for impairment	Carrying amount
Investments in associates	132,787,371.38	125,903.35	132,661,468.03
Total	132,787,371.38	125,903.35	132,661,468.03

Items	Book balance	Opening balance Provision for impairment	Carrying amount
Investments in associates	124,104,020.03	125,903.35	123,978,116.68
Total	124,104,020.03	125,903.35	123,978,116.68

(2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Telecommunications Cable Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,769,025.55			343,465.01	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,485,330.88			713.75	
Putian Fasten Cable Telecommunication Co., Ltd.	117,723,760.25			8,339,172.59	
Total	124,104,020.03			8,683,351.35	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

10. Long-term equity investments (Continued)

(2) Details (Continued)

Investees	Increase/Decrease			Others	Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ profit declared for distribution	Provision for impairment			
Associates						
Chengdu Telecommunications Cable Factory				125,903.35		125,903.35
Chengdu Bada Connector Co., Ltd.				5,112,490.56		
Chengdu Yuexin Telecommunications Materials Co., Ltd.				1,486,044.63		
Putian Fasten Cable Telecommunication Co., Ltd.				126,062,932.84		
Total				132,787,371.38		125,903.35

(3) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	132,661,468.03	123,978,116.68
Total	132,661,468.03	123,978,116.68

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

11. Investment property

(1) Details

Items	Buildings and structures	Total
Cost		
Opening balance	50,389,112.77	50,389,112.77
Increase	26,139,632.99	26,139,632.99
1) Transferred in from fixed assets	26,139,632.99	26,139,632.99
Decrease	3,896,448.95	3,896,448.95
1) Other transfer out	3,896,448.95	3,896,448.95
Closing balance	72,632,296.81	72,632,296.81
Accumulated depreciation and amortization		
Opening balance	16,832,947.37	16,832,947.37
Increase	9,851,391.36	9,851,391.36
1) Accrual or amortization	1,772,099.55	1,772,099.55
2) Transferred in from fixed assets	8,079,291.81	8,079,291.81
Decrease	1,384,265.14	1,384,265.14
1) Other transfer out	1,384,265.14	1,384,265.14
Closing balance	25,300,073.59	25,300,073.59
Carrying amount		
Closing balance	47,332,223.22	47,332,223.22
Opening balance	33,556,165.40	33,556,165.40

(2) Investment property with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	6,271,294.67	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	6,271,294.67	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

12. Fixed assets

(1) Details

Items	Buildings and structures	Machinery	Transport facilities	Other equipment	Total
Cost					
Opening balance	203,312,636.37	399,282,298.79	7,414,777.39	24,693,885.33	634,703,597.88
Increase	3,896,448.95	8,024,763.49	109,102.30	724,224.52	12,754,539.26
1) Acquisition		2,601,860.04		291,818.11	2,893,678.15
2) Transferred in from construction in progress		5,422,903.45	109,102.30	432,406.41	5,964,412.16
3) Transferred in from investment property	3,896,448.95				3,896,448.95
Decrease	26,139,632.99	30,629,557.68	445,661.97	2,191,423.46	59,406,276.10
1) Disposal/scrap		30,629,557.68	445,661.97	2,191,423.46	33,266,643.11
2) Transferred out to investment property	26,139,632.99				26,139,632.99
Closing balance	181,069,452.33	376,677,504.60	7,078,217.72	23,226,686.39	588,051,861.04
Accumulated depreciation					
Opening balance	58,719,350.76	267,020,913.58	5,852,613.91	17,040,925.79	348,633,804.04
Increase	8,251,491.59	17,666,432.95	403,856.02	1,265,189.31	27,586,969.87
1) Accrual	6,867,226.45	17,666,432.95	403,856.02	1,265,189.31	26,202,704.73
2) Transferred in from investment property	1,384,265.14				1,384,265.14
Decrease	8,079,291.81	23,202,638.90	339,694.58	2,100,946.43	33,722,571.72
1) Disposal/scrap		23,202,638.90	339,694.58	2,100,946.43	25,643,279.91
2) Transferred out to investment property	8,079,291.81				8,079,291.81
Closing balance	58,891,550.54	261,484,707.63	5,916,775.35	16,205,168.67	342,498,202.19
Provision for impairment					
Opening balance		25,061,327.12	1,527.00	495,053.54	25,557,907.66
Increase		8,428,210.79	7,689.58	32,659.38	8,468,559.75
1) Provision made		8,428,210.79	7,689.58	32,659.38	8,468,559.75
Decrease		4,802,807.02		4,000.00	4,806,807.02
1) Disposal/scrap		4,802,807.02		4,000.00	4,806,807.02
Closing balance		28,686,730.89	9,216.58	523,712.92	29,219,660.39
Carrying amount					
Closing balance	122,177,901.79	86,506,066.08	1,152,225.79	6,497,804.80	216,333,998.46
Opening balance	144,593,285.61	107,200,058.09	1,560,636.48	7,157,906.00	260,511,886.18

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

12. Fixed assets

(2) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
New factory of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	55,513,087.30	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	55,513,087.30	

13. Construction in progress

(1) Details

Projects	Book balance	Closing balance Provision for impairment	Carrying amount
Integrated technology improvement	6,576,797.90	5,919,118.11	657,679.79
Aluminum continuous rolling mill 01	1,188,820.65	729,128.34	459,692.31
Supporting plan of Potevio Chengdu industrial base	642,848.64		642,848.64
B07# utilities	366,527.74		366,527.74
Other projects	22,777.78		22,777.78
Total	8,797,772.71	6,648,246.45	2,149,526.26

Projects	Book balance	Opening balance Provision for impairment	Carrying amount
Integrated technology improvement	6,576,797.90	5,919,118.11	657,679.79
Chengdu Zhongling production line	920,124.20		920,124.20
F12#, F13# deuterium treatment equipment	153,846.16		153,846.16
C11# screening machine	13,982.53		13,982.53
Furnace installation engineering	60,364.79		60,364.79
Aluminum continuous rolling mill 01	1,188,820.65		1,188,820.65
Aluminum continuous rolling mill 02	1,931,503.69		1,931,503.69
Other projects	235,967.51		235,967.51
Total	11,081,407.43	5,919,118.11	5,162,289.32

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

13. Construction in progress (Continued)

(2) Changes in significant projects

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Integrated technology improvement	700.00	6,576,797.90				6,576,797.90
Chengdu Zhongling production line F12#, F13# deuterium treatment equipment	500.00 20.00	920,124.20 153,846.16		153,846.16	920,124.20	
C11# screening machine	110.00	13,982.53	934,108.41	948,090.94		
Furnace installation engineering	10.00	60,364.79		60,364.79		
Aluminum continuous rolling mill 01	120.00	1,188,820.65				1,188,820.65
Aluminum continuous rolling mill 02	200.00	1,931,503.69		1,931,503.69		
Supporting plan of Potevio Chengdu industrial base	660.00		642,848.64			642,848.64
2# Air purification system & compressed air lines system	60.00		578,402.78	578,402.78		
z-16-02	90.00		875,347.54	875,347.54		
z-16-03	90.00		875,347.55	875,347.55		
B07# utilities	668.00		366,527.74			366,527.74
Forklift	11.00		109,102.30	109,102.30		
Other projects	100.00	235,967.51	275,527.36	432,406.41	56,310.68	22,777.78
Subtotal	3,339.00	11,081,407.43	4,657,212.32	5,964,412.16	976,434.88	8,797,772.71

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

13. Construction in progress (Continued)

(2) Changes in significant projects (Continued)

Projects	Accumulated investment to budget	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Integrated technology improvement	93.95	100.00				Internal funds
Chengdu Zhongling production line	18.40	20.00				Internal funds
F12#, F13# deuterium treatment equipment	76.92	100.00				Internal funds
C11# screening machine	86.19	100.00				Internal funds
Furnace installation engineering	60.36	100.00				Internal funds
Aluminum continuous rolling mill 01	99.07	90.00				Internal funds
Aluminum continuous rolling mill 02	96.58	100.00				Internal funds
Supporting plan of Potevio Chengdu industrial base	9.74	10.00				Internal funds
2# Air purification system & compressed air lines system	96.40	100.00				Internal funds
z-16-02	97.26	100.00				Internal funds
z-16-03	97.26	100.00				Internal funds
B07# utilities	5.49	5.50				Internal funds
Forklift	99.18	100.00				Internal funds
Other projects	51.15	50.00				Internal funds
Subtotal						

(3) Provisions for impairment of construction in progress

Items	Provision made in current period	Reasons for provision made
Aluminum continuous rolling mill 01	729,128.34	The project is stopped
Subtotal	729,128.34	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction materials

Items	Closing balance	Opening balance
Special equipment	18,119,088.16	
Total	18,119,088.16	

15. Intangible assets

(1) Details

Items	Land use right	Patent right	Others	Total
Cost				
Opening balance	58,005,842.45	1,071,672.28	3,738,788.35	62,816,303.08
Increase				
1) Acquisition				
Decrease				
1) Disposal				
Closing balance	58,005,842.45	1,071,672.28	3,738,788.35	62,816,303.08
Accumulated amortization				
Opening balance	10,583,629.45	839,477.34	1,163,169.93	12,586,276.72
Increase	1,282,310.28	107,167.32	1,851,841.31	3,241,318.91
1) Accrual	1,282,310.28	107,167.32	1,851,841.31	3,241,318.91
Decrease				
1) Disposal				
Closing balance	11,865,939.73	946,644.66	3,015,011.24	15,827,595.63
Provision for impairment				
Opening balance				
Increase				
1) Provision made				
Decrease				
1) Disposal				
Closing balance				
Carrying amount				
Closing balance	46,139,902.72	125,027.62	723,777.11	46,988,707.45
Opening balance	47,422,213.00	232,194.94	2,575,618.42	50,230,026.36

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

15. Intangible assets (Continued)

(2) Analysis of carrying amount of land use right

Items	Closing balance	Opening balance
Outside Hong Kong	46,139,902.72	47,422,213.00
Including: Mid-term lease (Note)	46,139,902.72	47,422,213.00
Subtotal	46,139,902.72	47,422,213.00

Note: The lease term is 50 years

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for impairment of assets	47,605,495.85	7,140,824.38	94,234,210.13	14,135,131.52
Total	47,605,495.85	7,140,824.38	94,234,210.13	14,135,131.52

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of available-for-sale financial assets	3,504,755.68	525,713.35	6,475,082.68	971,262.40
Total	3,504,755.68	525,713.35	6,475,082.68	971,262.40

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

16. Deferred tax assets and deferred tax liabilities

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	102,832,135.64	91,390,702.87
Deductible losses	214,331,353.37	251,638,227.76
Subtotal	317,163,489.01	343,028,930.63

(4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2017		104,667,588.73	
Year 2018	1,689,674.33	1,689,674.33	
Year 2019	25,794,306.01	25,794,306.01	
Year 2020	61,607,997.54	61,607,997.54	
Year 2021	57,878,661.15	57,878,661.15	
Year 2022	67,360,714.34		
Subtotal	214,331,353.37	251,638,227.76	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

17. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Borrowings	103,238,901.56	99,868,127.80
Payment for project and equipment	49,850.00	1,189,410.25
Others	4,196.00	633,749.25
Total	103,292,947.56	101,691,287.30

(2) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	90,653,206.29	88,026,688.95
1–2 years	2,201,110.27	10,302,231.14
2–3 years	7,420,684.92	387,727.62
Over 3 year	3,017,946.08	2,974,639.59
Total	103,292,947.56	101,691,287.30

The analysis of aging of accounts payable is based on the time of purchasing materials, goods or receiving services.

The credit terms granted by suppliers are generally 1 to 12 months.

(3) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
Chengdu Huangshishuangfeng Cable Co., Ltd.	6,832,982.89	The project has not reached the settlement period
Subtotal	6,832,982.89	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

18. Advances received

Items	Closing balance	Opening balance
Payment for goods	28,280,760.70	34,255,233.51
Total	28,280,760.70	34,255,233.51

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	26,330,096.90	54,391,459.06	53,431,968.79	27,289,587.17
Post-employment benefits				
— defined benefit plan	456,377.69	7,035,576.38	7,224,223.67	267,730.40
Termination benefits	18,843,660.00	476,774.95	7,677,999.59	11,642,435.36
Total	45,630,134.59	61,903,810.39	68,334,192.05	39,199,752.93

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	19,603,891.75	45,377,040.83	44,222,273.90	20,758,658.68
Employee welfare fund	27,620.60	2,328,601.09	2,330,909.79	25,311.90
Social insurance premium	43,038.95	3,316,630.09	3,275,679.77	83,989.27
Including: Medicare premium	40,169.53	2,952,376.12	2,914,046.00	78,499.65
Occupational injuries premium	294.44	145,369.14	145,299.12	364.46
Maternity premium	2,574.98	218,884.83	216,334.65	5,125.16
Housing provident fund	140,859.00	2,323,786.60	2,450,012.80	14,632.80
Trade union fund and employee education fund	6,514,686.60	926,442.11	1,034,134.19	6,406,994.52
Others		118,958.34	118,958.34	
Subtotal	26,330,096.90	54,391,459.06	53,431,968.79	27,289,587.17

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

19. Employee benefits payable (Continued)

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	460,599.19	6,798,371.43	6,990,451.19	268,519.43
Unemployment insurance premium	-4,221.50	237,204.95	233,772.48	-789.03
Subtotal	456,377.69	7,035,576.38	7,224,223.67	267,730.40

Pursuant to the Labor Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries in the People's Republic of China participated in defined contribution retirement schemes for its employees. The local government authorities are responsible for the entire pension obligations payable to retired employees who reach retirement age pursuant to relevant regulations or quit the work force due to other reasons. The Company and its subsidiaries have no other obligation to make payment in respect of pension benefits.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

20. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	5,432,576.24	1,366,397.40
Business tax		23,560.00
Enterprise income tax	11,808,846.96	7,967,246.31
Individual income tax withheld for tax authorities	150,716.48	55,802.77
Urban maintenance and construction tax	382,573.39	3,863.55
Housing property tax	434,293.41	45,410.90
Land use tax	412,160.00	
Education surcharge	160,095.30	1,689.37
Local education surcharge	113,171.40	1,126.24
Stamp duty	78,887.43	
Total	18,973,320.61	9,465,096.54

21. Other payables

Items	Closing balance	Opening balance
Deposits	1,579,982.84	702,985.77
Temporary receipts payable	37,124,258.90	18,350,413.81
Others	1,797,635.70	4,357,032.97
Total	40,501,877.44	23,410,432.55

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

22. Long-term borrowings

(1) Details

Items	Closing balance	Opening balance
Secured borrowings	7,409,015.78	7,376,797.32
Total	7,409,015.78	7,376,797.32

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Opening balance
Due on demand or within one year	468,028.30	141,706.21
1–2 years	468,028.30	438,305.27
2–5 years	1,404,084.90	1,314,915.80
Over 5 years	5,068,874.28	5,481,870.04
Subtotal	7,409,015.78	7,376,797.32
Including: Long-term borrowings due within one year	468,028.30	141,706.21
Long-term borrowings due more than one year	6,940,987.48	7,235,091.11

(3) Other remarks

The annual interest rate of long-term borrowings is 0.5%.

23. Provisions

Items	Closing balance	Opening balance	Reasons for balance
Penalty	650,000.00		Breach of contract arose from liquidation of subsidiary
Total	650,000.00		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

24. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	66,725,801.88		3,501,110.40	63,224,691.48	Land acquisition compensation
Total	66,725,801.88		3,501,110.40	63,224,691.48	

(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss Note	Other movements	Closing balance	Related to assets/income
Shuangliu land Acquisition compensation	66,325,801.88		3,501,110.40		62,824,691.48	Related to assets
Subsidy of development and application of nuclear-grade special cable	400,000.00				400,000.00	Related to income
Subtotal	66,725,801.88		3,501,110.40		63,224,691.48	

Note: Please refer to notes to government grants for details on grants included into profit or loss.

(3) Other remarks

Pursuant to the "Approval of the Acquisition of Housing Property of the Land Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant" (numbered Shuang Fu Tu [2008] 129) and "Administration of the Land Acquisition and Reserve of Shuangliu County" issued by the People's Government of Chengdu Shuangliu County, a subsidiary of the Company, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, signed a "State-owned Land Use Rights Acquisition Agreement" with Shuangliu Land Reserve Centre in March 2009, pursuant to which the county government was agreed to buy back the land use rights of a parcel of state-owned land with 47,767.75 square meters located at Jindu Village, Baijia Town, Shuangliu County, from the subsidiary at a consideration of RMB87.2043 million.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

25. Share capital

Items	Opening balance	Issue of new shares	Movements			Subtotal	Closing balance
			Bonus shares	Reserve transferred to shares	Others		
Restricted shares							
Held by domestic legal persons	240,000,000.00						240,000,000.00
Held by domestic natural persons							
Unrestricted shares							
A shares							
H shares	160,000,000.00						160,000,000.00
Total	400,000,000.00						400,000,000.00

26. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share/capital premium	302,343,510.57			302,343,510.57
Other capital reserve	349,057,269.26			349,057,269.26
Capital reserve brought forward				
from original scheme	343,857,949.07			343,857,949.07
Capital reserve acquired from non-controlling interest	175,421.09			175,421.09
Others	5,023,899.10			5,023,899.10
Total	651,400,779.83			651,400,779.83

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of the consolidated balance sheet (Continued)

27. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative before income tax	Current period cumulative			Closing balance
			Less: OCI transferred to profit or loss	Less: income tax	Attributable to parent company	
Items to be reclassified subsequently to profit or loss						
Including: Gains/losses on changes in fair value of available-for-sale financial assets	5,503,820.29	-2,970,327.00		-445,549.05	-2,524,777.95	2,979,042.34
Total	5,503,820.29	-2,970,327.00		-445,549.05	-2,524,777.95	2,979,042.34

28. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	8,726,923.61			8,726,923.61
Total	8,726,923.61			8,726,923.61

29. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-152,174,233.00	-136,070,969.11
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	-152,174,233.00	-136,070,969.11
Add: Net profit attributable to owners of the parent company	30,325,354.80	-16,103,263.89
Closing balance	-121,848,878.20	-152,174,233.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Income	Cost	Income	Cost
Revenue from main operations	729,062,261.07	556,664,343.34	1,310,935,419.63	1,075,737,745.08
Revenue from other operations	34,903,792.89	27,737,780.57	21,353,465.65	13,469,614.09
Total	763,966,053.96	584,402,123.91	1,332,288,885.28	1,089,207,359.17

2. Taxes and surcharge for operations

Items	Current period cumulative	Prior period comparative
Business tax		277,346.97
Urban maintenance and construction tax	2,113,110.75	3,395,165.97
Education surcharge	901,720.60	1,446,568.25
Local education surcharges	607,588.26	964,378.84
Stamp tax (Note)	357,180.70	686,655.96
Housing property tax (Note)	3,471,853.46	3,264,413.69
Urban land use tax (Note)	2,396,168.62	1,594,662.57
Vehicle and vessel tax (Note)	5,280.00	3,960.00
Total	9,852,902.39	11,633,152.25

Notes: Pursuant to the Provisions Concerning the Accounting Treatments on VAT (Cai Kuai [2016] 22) and Interpretation on Several Issues about Provisions Concerning the Accounting Treatments on VAT, the Company reported the amount of housing property tax, vehicle and vessel tax, land use tax and stamp duty for May to December 2016 and January to June 2017 through the "taxes and surcharge for operations" item and the amount for prior to May 2016 was reported through "administrative expenses" item.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	6,689,638.69	11,405,161.89
Transportation cost	4,676,648.95	21,051,415.92
Packing expenses	1,732,250.39	2,458,217.06
Business expenses	2,725,763.06	11,758,175.34
Advertising and promotion expenses	971,587.97	234,702.98
Office and travelling expenses	402,173.22	2,957,588.86
Sales service expenses	1,435,990.41	4,090,898.27
Others	723,186.33	6,882,848.98
Total	19,357,239.02	60,839,009.30

4. Administrative expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Staff salaries	36,223,319.61	62,979,004.22
Depreciation and amortisation	14,194,587.64	17,575,573.08
Business entertainment	618,926.65	3,053,880.59
Office and travelling expenses	2,659,911.02	3,939,098.11
Research and development costs	6,080,324.55	18,948,613.12
Taxes (Note)	192,941.27	2,258,456.16
Agency fee	1,757,952.68	2,966,795.19
Repairs and maintenance	1,728,257.82	4,186,093.54
Water and electricity	3,217,344.71	1,680,193.22
Others	5,066,892.45	14,263,916.14
Total	71,740,458.40	131,851,623.37

Note: Please refer to V.(II).2.notes to taxes and surcharges for operation for details.

(2) Of current period administrative expenses, auditor's remuneration totaled RMB880,000.00 (2016: RMB1,080,000.00).

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	115,291.76	11,096,073.96
Including: Interest on bank borrowing, overdraft and other borrowings wholly repayable within five years	115,291.76	11,096,073.96
Less: Interest income	5,636,863.32	8,575,509.23
Exchange gain/loss	403,970.52	2,062,501.81
Handling charges	428,340.33	799,821.31
Total	-4,689,260.71	5,382,887.85

6. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	1,589,135.08	8,565,797.41
Inventory write-down loss	3,659,529.69	9,413,636.78
Impairment loss of fixed assets	8,468,559.75	12,881,022.62
Impairment loss of construction in progress	729,128.34	
Total	14,446,352.86	30,860,456.81

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

7. Investment income

(1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	8,683,351.35	2,147,962.76
Gains on disposal of long-term equity investments		3,190,746.06
Gains on re-measurement on fair value of remaining equity after losing control		3,190,746.07
Total	8,683,351.35	8,529,454.89

(2) Remarks on investment income from investments in unlisted companies and listed companies

Items	Current period cumulative	Preceding period comparative
Investment income from unlisted companies	8,683,351.35	8,529,454.89
Subtotal	8,683,351.35	8,529,454.89

8. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets and construction in progress	-2,525,745.35	10,056,398.67	-2,525,745.35
Total	-2,525,745.35	10,056,398.67	-2,525,745.35

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

9. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Subsidies for zombie company	15,314,051.00		15,314,051.00
Subsidies for the import growth company	500,000.00		500,000.00
Grant of special funds for intellectual property	8,600.00		8,600.00
Export credit insurance subsidies	45,000.00		45,000.00
Property insurance subsidies	219,900.00		219,900.00
Patent grant	40,300.00		40,300.00
Subsidies for statistics	15,000.00		15,000.00
Subsidies for Germany electronics exhibition	150,000.00		150,000.00
Land acquisition compensation	3,501,110.40		3,501,110.40
Subsidies from technology and new Economic Development Bureau of Chengdu Hi-Tech Industrial Development Zone for DZ-DC-R-H-90 cable technology project of Railway Passenger Vehicles	300,000.00		300,000.00
Special subsidies from technical centers for intellectual property	6,000.00		6,000.00
Special fund from Chengdu economic and Trade Bureau of Chengdu High-tech Zone	181,700.00		181,700.00
Fourth batch of subsidies for Intellectual property from Chengdu economic and Trade Bureau of Chengdu High-tech Zone	2,400.00		2,400.00
Total	20,284,061.40		20,284,061.40

Please refer to notes to government grants for details on grants included into other income.

10. Non-operating revenue

(1) Details

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants	150,000.00	4,407,430.40	150,000.00
Gains on debt without payment	24,873.80		24,873.80
Others	537,939.67	157,430.12	537,939.67
Total	712,813.47	4,564,860.52	712,813.47

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

10. Non-operating revenue (Continued)

(2) Government grants

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Land acquisition compensation		3,709,880.40	Related to assets
Patent grant		6,650.00	Related to income
Subsidies for improving international operating ability from Economic and Trade Development Bureau of High-tech Zone		187,700.00	Related to income
Subsidies from High-tech Zone (assessment for standardization of safe production)		50,000.00	Related to income
Security reward from Economic and Trade Development Bureau of High-tech Zone in Sichuan Province		171,800.00	Related to income
Chengdu High-tech Zone Torch Plan statistical enterprise subsidies		44,700.00	Related to income
Property insurance subsidies from Science and Technology Board of High-tech Zone		12,700.00	Related to income
Chengdu High-tech Zone industrial policy project technology insurance subsidies from Chengdu economic and Trade Bureau in 2016		10,000.00	Related to income
Export credit insurance subsidies		5,000.00	Related to income
Chengdu City the city-level implementation of special funds for the development of the financial industry in 2016		200,000.00	Related to income
Strategic new products and key new product R & D subsidies		9,000.00	Related to income
Standardization subsidies from the Quality and Technology Supervision Bureau	120,000.00		Related to income
Industry support funds of Xipeng town	30,000.00		Related to income
Subtotal	150,000.00	4,407,430.40	

Please refer to notes to government grants for details on grants included into non-operating revenue.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

11. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	42,000.00	30,000.00	42,000.00
Penalty	650,000.00		650,000.00
Amercement Outlay	111,761.38	309,441.10	111,761.38
Others	947,707.93	83,248.06	947,707.93
Total	1,751,469.31	422,689.16	1,751,469.31

12. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	18,790,930.54	17,578,117.78
Deferred income tax expenses	6,994,307.14	406,402.03
Total	25,785,237.68	17,984,519.81

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the consolidated income statement (Continued)

12. Income tax expenses (Continued)

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	94,259,249.65	25,242,421.45
Income tax expenses based on tax rate adopted by the parent company	14,138,887.45	3,786,363.22
Effect of different tax rate applicable to subsidiaries	-459,307.90	419,043.35
Effect of prior income tax reconciliation	-59,096.87	-238,453.00
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	182,170.13	2,109,873.51
Utilization of deductible losses not previously recognized	-1,759,267.73	-1,788,909.69
Effect of deducible temporary differences or deductible losses not recognized	14,862,281.23	14,036,740.12
Others	-1,120,428.63	-340,137.70
Income tax expenses	25,785,237.68	17,984,519.81

13. Other comprehensive income, net of income tax

Please refer to notes to items of the consolidated balance sheet — other comprehensive income for details.

(III) Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Cash received for government grants other than tax refund	16,932,951.00	697,550.00
Interest income	5,636,863.32	5,058,570.89
Cash received from leasing of fixed assets (investment properties)	22,763,458.12	15,290,271.58
Cash received from notes and deposits for L/C	54,983,182.90	54,638,457.92
Others	20,872,918.49	9,750,715.30
Total	121,189,373.83	85,435,565.69

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement (Continued)

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Administrative expenses paid by cash	13,211,150.71	41,733,863.52
Selling expenses paid by cash	12,638,025.91	48,869,869.89
Handling charges included in finance costs	428,340.33	799,821.31
Lease fee of manufacturing expense paid by cash	1,042,708.33	19,901,094.22
Notes and deposits for L/C paid by cash	48,193,614.28	89,501,749.61
Others	2,972,244.87	16,938,637.11
Total	78,486,084.43	217,745,035.66

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Withdrawal of related party loans		60,000,000.00
Total		60,000,000.00

4. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Large amounts of cash received from financing activities		50,000,000.00
Total		50,000,000.00

5. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Large amounts of cash paid for financing activities		50,000,000.00
Total		50,000,000.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement (Continued)

6. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	68,474,011.97	7,257,901.64
Add: Provision for assets impairment loss	14,446,352.86	30,860,456.81
Depreciation of fixed assets, oil and gas assets, productive biological assets	27,974,804.28	56,312,439.31
Amortization of intangible assets	3,241,318.91	3,785,444.19
Amortization of long-term prepayments	7,541.00	2,376,998.25
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	2,525,745.35	-10,056,398.67
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	1,364,608.64	7,695,112.61
Investments losses (Less: gains)	-8,683,351.35	-8,529,454.89
Decrease of deferred tax assets (Less: increase)	6,994,307.14	960,238.39
Increase of deferred tax liabilities (Less: decrease)	-445,549.05	-790,605.21
Decrease in inventories (Less: increase)	48,104,532.76	-50,734,191.67
Decrease in operating receivables (Less: increase)	-21,693,570.94	-244,972,506.51
Increase of operating payables (Less: decrease)	19,123,886.83	244,714,585.01
Others	445,549.05	
Net cash flow from operating activities	161,880,187.45	38,880,019.26
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	454,546,364.92	331,032,951.89
Less: Cash at the beginning of the period	331,032,951.89	301,159,590.59
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	123,513,413.03	29,873,361.30

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(III) Notes to items of the consolidated cash flow statement (Continued)

6. Supplement information to the cash flow statement (Continued)

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	454,546,364.92	331,032,951.89
Including: Cash on hand	38,363.08	44,151.48
Cash in bank on demand for payment	454,508,001.83	330,988,800.41
Other cash and bank balances on demand for payment	0.01	
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	454,546,364.92	331,032,951.89
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(3) Amount of endorsed commercial acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	103,625,409.79	329,789,926.49
Including: Payment for goods	103,625,409.79	329,789,926.49

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Other cash and bank balances	2,201,588.63	L/C, deposits of bank guarantee
Cash in bank	45,992,025.65	Pledge
Total	48,193,614.28	

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	1,009,831.91	6.5342	6,598,443.67
Accounts receivable			
Including: USD	226,394.40	6.5342	1,479,306.28
Accounts payable			
Including: USD	4,326,653.24	6.5342	28,271,217.61
Long-term borrowings			
Including: EUR	949,593.81	7.8023	7,409,015.78

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others (Continued)

3. Government grants

(1) Details

1) Government grants related to assets

Gross method

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Amortization of Land acquisition compensation	66,325,801.88		3,501,110.40	62,824,691.48	Other income	
Subtotal	66,325,801.88		3,501,110.40	62,824,691.48		

2) Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Subsidy of development and application of nuclear-grade special cable	400,000.00			400,000.00		Unfinished acceptance check
Subtotal	400,000.00			400,000.00		

3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Subsidies for the import growth company	500,000.00	Other income	Pursuant to Some Policies for Stabilizing the Growth of Imports from Administrative Committee of Chengdu Hi-Tech Industrial Development Zone (Chenggaoguanfa [2017] No. 11), a subsidy of RMB100,000.00 is granted to enterprises in the Zone whose imports volume in 2016 reaches or exceeds 1 million dollars, up 10% compared with the previous year, meanwhile, an additional subsidy of RMB10,000 is given for the additional 1% increase, but the total subsidies cannot exceed RMB500,000.00.
Grant of special funds for intellectual property	8,600.00	Other income	Pursuant to Guidelines of Subsidies for Application and Authorization for Intellectual Property of Chengdu Hi-Tech Industrial Development Zone 2017 (Chenggaoke [2017] No. 29), the government subsidizes domestic patent application or authorization, overseas invention patent authorization, and registration of other intellectual property, integrated circuit layout design, software copyright and registered trademark.
Export credit insurance subsidies	45,000.00	Other income	According to Rules for the Implementation of Some Policies for Stabilizing the Growth of Imports from Administrative Committee of Chengdu Hi-Tech Industrial Development Zone (Chenggaolingfa [2017] No. 31), companies whose volume of imports and exports reaches and exceeds 100 million dollars in 2016, are hierarchically subsidized based on the volume and growth of 2016 imports and exports.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

- 3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses (Continued)

Items	Amounts	Presented under	Remarks
Property insurance subsidies	219,900.00	Other income	The financial service authority of Chengdu Hi-Tech Industrial Development Zone applies for 2017 support policies of strategic emerging industries (finance), support policies of Mobile Internet industry (encouraging financial institutions to carry out industrial investment and financing services), policies of Science and technology innovation (Gathering project of financial service resources for the science and technology)(first batch), to encourage companies to purchase technology and patent insurance identified by the government industry authorities, such as R&D interruption insurance, technical transaction insurance, intellectual property insurance. A subsidy of 40% insurance premium but less than RMB200,000.00 is granted to companies.
Patent grant	40,300.00	Other income	Guidelines of Application for Patent Grant (Chuanzhifa [2017] No. 97) provides subsidies for 4-6years paid annuity of the domestic and effective invention patent in 2016, and the official cost, search fees and agency fees of the foreign patent application. The application date of the foreign patent should be between 1 January 2016 to 31 December 2016.
Subsidies for statistics	15,000.00	Other income	According to Implementation Rules of Chengdu High-tech Zone Torch Plan Statistical Enterprises Subsidies (No. 2017-06-01), torch statistical enterprises incorporated into the information system of the Ministry of Science and Technology for the investigation of torch statistics, will be granted a subsidy of RMB5,000, when they complete the annual Torch Plan statistical work.
Subsidies for Germany electronics exhibition	150,000.00	Other income	Pursuant to Implementation Rules of the Supporting Policy for Accelerating Development of Service Industry in Chengdu (Chengshangwufa [2016] No. 153), government supports promotion activities of foreign investment cooperation organized and identified by municipal commercial department by subsidizing the staff of the participation enterprises and organizer.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses (Continued)

Items	Amounts	Presented under	Remarks
Subsidies for zombie company	15,314,051.00	Other income	According to special treatment plan for disposal of zombie enterprises, the enterprises on the zombie enterprises list are given subsidies for the placement of personnel.
Subsidies from technology and new Economic Development Bureau of Chengdu Hi-Tech Industrial Development Zone for DZ-DC-R-H-90 cable technology project of Railway Passenger Vehicles	300,000.00	Other income	Based on the Notice from Sichuan Science and Technology Department about Releasing Application Guidelines of 2017 Science and Technology Plan Projects (Chuankeji [2016] No. 8), excellent projects that meet the application guidelines of the key new product projects are subsidized.
Special subsidies from technical centers for intellectual property	6,000.00	Other income	
Special fund from Chengdu economic and Trade Bureau of Chengdu High-tech Zone	181,700.00	Other income	
Fourth batch of subsidies for Intellectual property from Chengdu economic and Trade Bureau of Chengdu High-tech Zone	2,400.00	Other income	
Standardization subsidies from the Quality and Technology Supervision Bureau	120,000.00	Non-operating income	
Industry support funds of Xipeng town	30,000.00	Non-operating income	
Subtotal	16,932,951.00		

(2) In current period, government grants included into profit or loss totaled 20,434,061.40 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VI. CHANGES IN THE CONSOLIDATION SCOPE

None.

VII. INTEREST IN OTHER ENTITIES

(I) Interest in significant subsidiaries

1. Significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	Chengdu City	Manufacture	90.00	6.67	Business combination not under common control
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Chengdu City	Chengdu City	Manufacture	66.67		Business combination not under common control
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City	Chengdu City	Manufacture	60.00		Business combination not under common control
Chongqing Putaifeng Aluminium Co., Ltd.	Chongqing City	Chongqing City	Manufacture	40.00		Investment

(2) Other remarks

Basis of holding half or below voting rights but still controlling the investee and holding more than half voting rights but not controlling the investee

As the Company holds 40% equity of Chongqing Putaifeng Aluminium Co., Ltd., holds majority of voting right in the Board of Directors, and could control its financial and operation decision, and have a privileged variable return, the Company brought the financial statements of Chongqing Putaifeng Aluminium Co., Ltd., into the consolidation scope.

2. Significant non-wholly owned subsidiaries

Subsidiaries	Holding proportion of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non-controlling interest
Chengdu Zhongling Radio Communications Co., Ltd.	3.33	-183,932.71		1,463,235.21
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	33.33	2,732,832.14		5,658,489.04
Chengdu SEI Optical Fiber Co., Ltd.	40.00	43,275,194.97	12,000,000.00	121,174,523.86
Chongqing Putaifeng Aluminium Co., Ltd.	60.00	-7,675,437.23		2,333,574.93

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant non-wholly owned subsidiaries

(1) Assets and liabilities

Expressed in RMB10,000.00

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chengdu Zhongling Radio Communications Co., Ltd.	9,196.10	615.72	9,811.82	5,417.72		5,417.72
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,440.57	8,793.15	10,233.72	2,253.54	6,282.47	8,536.01
Chengdu SEI Optical Fiber Co., Ltd.	32,073.32	5,739.25	37,812.57	7,518.94		7,518.94
Chongqing Putaifeng Aluminium Co., Ltd.	429.65	698.33	1,127.98	674.05	65.00	739.05

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chengdu Zhongling Radio Communications Co., Ltd.	7,584.97	1,014.80	8,599.77	3,653.32		3,653.32
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,927.02	9,849.91	11,776.93	4,266.57	6,632.58	10,899.15
Chengdu SEI Optical Fiber Co., Ltd.	25,492.71	4,115.02	29,607.73	7,132.90		7,132.90
Chongqing Putaifeng Aluminium Co., Ltd.	2,473.51	998.08	3,471.59	1,803.43		1,803.43

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant non-wholly owned subsidiaries (Continued)

(2) Profit or loss and cash flows

Expressed in RMB10,000.00

Subsidiaries	Current period cumulative			Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income	
Chengdu Zhongling Radio Communications Co., Ltd.	9,988.21	-552.35	-552.35	214.84
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	565.09	819.93	819.93	1,741.92
Chengdu SEI Optical Fiber Co., Ltd.	36,891.80	10,818.80	10,818.80	13,232.49
Chongqing Putaifeng Aluminium Co., Ltd.	9,178.37	-1,279.24	-1,279.24	-257.87

Subsidiaries	Preceding period comparative			Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income	
Chengdu Zhongling Radio Communications Co., Ltd.	3,780.33	-940.44	-940.44	-436.29
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	488.99	-3,258.81	-3,258.81	-209.30
Chengdu SEI Optical Fiber Co., Ltd.	27,717.05	6,483.48	6,483.48	7,978.28
Putian Fasten Cable Telecommunication Co., Ltd.	74,420.40	1,926.00	1,926.00	3,335.28
Chongqing Putaifeng Aluminium Co., Ltd.	8,012.96	-331.83	-331.83	-594.55

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture or associates

1. Significant joint ventures or associates

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu City	Chengdu City	Manufacture	35.00		Equity method
Chengdu Bada Connector Co., Ltd.	Chengdu City	Chengdu City	Manufacture	49.00		Equity method
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin City	Jiangyin City	Manufacture	22.50		Equity method

2. Main financial information of significant associates

Items	Closing balance/current period cumulative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	10,128,114.53	78,690,741.37	964,393,152.63
Non-current assets	2,810,859.13	2,922,962.69	279,077,517.99
Total assets	12,938,973.66	81,613,704.06	1,243,470,670.62
Current liabilities	9,007,290.60	71,069,892.87	654,026,798.48
Non-current liabilities			44,375,298.03
Total liabilities	9,007,290.60	71,069,892.87	698,402,096.51
Non-controlling interest		110,156.92	
Equity attributable to owners of parent company	3,931,683.06	10,433,654.27	545,068,574.11
Proportionate share in net assets	1,376,089.07	5,112,490.59	122,640,429.17
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	1,486,044.63	5,112,490.56	126,062,932.84
Fair value of equity investments in associates in association with quoted price			
Operating revenue	23,052,966.01	131,689,472.37	1,013,283,014.35
Net profit	2,039.28	700,949.01	37,062,989.31
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	2,039.28	700,949.01	37,062,989.31
Dividend from joint ventures received in current period			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Equity in joint venture or associates (Continued)

2. Main financial information of significant associates (Continued)

Items	Opening balance/Prior period		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	9,754,992.75	57,708,427.94	673,496,691.11
Non-current assets	2,920,748.09	2,399,158.48	293,665,617.49
Total assets	12,675,740.84	60,107,586.42	967,162,308.60
Current liabilities	8,746,097.06	50,272,883.63	448,782,742.83
Non-current liabilities			10,373,980.97
Total liabilities	8,746,097.06	50,272,883.63	459,156,723.80
Non-controlling interest			101,997.53
Equity attributable to owners of parent company	3,929,643.78	9,732,705.26	508,005,584.80
Proportionate share in net assets	1,375,375.32	4,769,025.58	114,301,256.58
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	1,485,330.88	4,769,025.55	117,723,760.25
Fair value of equity investments in associates in association with quoted price			
Operating revenue	27,754,882.02	126,760,209.69	78,248,133.03
Net profit	529,648.61	847,603.06	6,876,712.23
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	529,648.61	847,603.06	6,876,712.23
Dividend from joint ventures received in current period			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to bank balances and receivables. In order to control such risks, the Company has taken the following measures:

1. Bank balances

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

2. Receivables

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, normally, does not obtain collateral from customers. Normally, the Group does not obtain collateral from customers. The Company manages credit risk aggregated by customers. As of 31 December 2017, the Company has certain concentration of credit risk, and 47.12% (31 December 2016: 32.40%) of the total accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

2. Receivables (Continued)

- (1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Neither past due nor impaired	Closing balance Past due but not impaired			Total
		Within one year	1-2 years	Over 2 years	
Notes receivable	98,266,619.18				98,266,619.18
Accounts receivable	104,951,589.51				104,951,589.51
Subtotal	203,218,208.69				203,218,208.69

Items	Neither past due nor impaired	Opening balance Past due but not impaired			Total
		Within one year	1-2 years	Over 2 years	
Notes receivable	102,488,405.74				102,488,405.74
Accounts receivable	64,492,134.27				64,492,134.27
Subtotal	166,980,540.01				166,980,540.01

- (2) Please refer to notes to receivables for receivables with provision for impairment made on individual basis.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Financial liabilities classified based on remaining time period till maturity

Items	Carrying amount	Contract amount not yet discounted	Closing balance		
			Within one year	1-3 years	Over 3 years
Financial liabilities					
Accounts payable	103,292,947.56	103,292,947.56	103,292,947.56		
Other payables	40,501,877.44	40,501,877.44	40,501,877.44		
Long-term borrowings	7,409,015.78	7,409,015.78	468,028.30	936,056.60	6,004,930.88
Subtotal	151,203,840.78	151,203,840.78	144,262,853.30	936,056.60	6,004,930.88

Items	Carrying amount	Contract amount not yet discounted	Opening balance		
			Within one year	1-3 years	Over 3 years
Financial liabilities					
Accounts payable	101,691,287.30	101,691,287.30	101,691,287.30		
Other payables	23,410,432.55	23,410,432.55	23,410,432.55		
Long-term borrowings	7,376,797.32	7,376,797.32	141,706.21	283,412.42	6,951,678.69
Subtotal	132,478,517.17	132,478,517.17	125,243,426.06	283,412.42	6,951,678.69

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company's interest risk relates mainly to borrowings with floating interest rate.

As of 31 December 2017, the Company did not have borrowings with interest accrued at floating interest rate (31 December 2016: 0.00 yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk (Continued)

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to notes to foreign currency monetary items for details in foreign currency financial assets and liabilities at the end of the period.

IX. FAIR VALUE DISCLOSURE

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as of the balance sheet date			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurement				
1. Available-for-sale financial assets	4,215,948.00			4,215,948.00
(1) Debt instrument investments				
(2) Equity instrument investments	4,215,948.00			4,215,948.00
(3) Others				
Total assets at recurring fair value measurement	4,215,948.00			4,215,948.00

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Quoted price (unadjusted) of identical assets or liabilities in active market.

(III) Valuation technique(s) and key input(s) for level 2 fair value at recurring and non-recurring fair measurement

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, and accounts payable and the fair value of each item is close to the book value.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Related party relationships

1. Details of parent company

(1). Parent company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	190,305.00	60.00	60.00

(2) The Company's ultimate controlling party is China PUTIAN Corporation Limited.

- Please refer notes to interest in other entities for details on the Company's subsidiaries.
- Please refer to notes to interest in other entities for details on the Company's significant joint ventures and associates.

4. Other related parties of the Company

Related parties	Relationships with the Company
Nanjing Putian Telege Intelligent Building Ltd.	Controlled by the same parent company
Putian International Trade Co. Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Nanjing PUTIAN Telecommunications Company Limited	Controlled by the same parent company
Sumitomo Electric Industries Ltd.	Shareholder holding more than 5% of the subsidiary's
Sumitomo Electric Asia Ltd	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Chengdu Huangshishuangfeng Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's
Chongqing Taishan Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's
Hangzhou Honyar Electrical Co., Ltd.	Controlled by the same parent company
Hangzhou Yishi lighting engineering design co. Ltd.	Controlled by the same parent company
Hangzhou Honyar Cable Co., Ltd.	Controlled by the same parent company
Hangzhou Honyar Trade Co., Ltd.	Controlled by the same parent company
Putian Intelligent Lighting Research Institute Co., Ltd.	Controlled by the same parent company

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving services

(1) Details

1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	119,935,239.74	93,113,738.77
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	20,988,172.03	26,011,933.92
China Potevio Company Limited	Purchase of goods and receiving of services	33,281.13	60,325.31
Sumitomo Electric Industries Ltd.	Purchase of goods	20,095,585.02	2,747,050.43
Sumitomo Electric Asia Ltd.	Purchase of goods	130,717,076.34	102,240,218.56
Sumitomo Electric Industries Ltd.	Receiving of services	467,283.85	342,796.86
Chengdu Huangshishuangfeng Cable Co., Ltd.	Purchase of goods	556,840.28	1,459,024.41
Chongqing Taishan Cable Co., Ltd.	Purchase of goods		9,765,000.72
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods	34,573.06	17,997,408.38
Hangzhou Yishi lighting engineering design co. Ltd.	Purchase of goods	730,604.94	
Hangzhou Honyar Cable Co., Ltd.	Purchase of goods	832,905.48	
Hangzhou Honyar Trade Co., Ltd.	Purchase of goods	23,498,363.25	

2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
China Potevio Company Limited	Sale of goods	62,060,953.00	151,572,668.42
Chengdu Bada Connector Co., Ltd.	Sale of goods and rendering of services	688,448.05	39,908.08
Chengdu Huangshishuangfeng Cable Co., Ltd.	Sale of goods		1,304,148.55
Chongqing Taishan Cable Co., Ltd.	Sale of goods	43,694,304.32	49,848,828.23
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of goods and rendering of services	424,011.85	
Putian Intelligent Lighting Research Institute Co., Ltd.	Sale of goods		7,906,650.54
Putian Fasten Cable Telecommunication Co., Ltd.	Sale of goods and rendering of services	3,942,179.82	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

2. Related party leases

The Company as the lessor

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Plant	652,416.58	
Putian Fasten Cable Telecommunication Co., Ltd.	Plant	3,424,800.00	

3. Related party guarantees

The Company and its subsidiaries as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China PUTIAN Corporation Limited	7,409,015.78	1997/2/21	2033/2/21	No

4. Call loans between related parties

Related parties	Amount	Commencement date	Maturity date	Remarks
Call loans to related parties				
Chengdu Bada Connector Co., Ltd.	10,000,000.00	2017/1/1	2017/12/31	Interest income for the current period totaled RMB746,966.04.

5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	1,674,571.93	1,361,271.15

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments

Items	Fees	Wage, bonus, allowance, and subsidy	Current period cumulative		Other social insurance premiums	Total
			Endowment insurance premium	Housing fund		
Executive directors:						
Zhang Xiaocheng						
Wang Micheng						
Liu Yun						
Han Shu						
Xu Liying						
Fan Xu						
Independent non-executive directors:						
Cai Sicong		50,000.04				50,000.04
Xiao Xiaozhou		50,000.04				50,000.04
Lin Zulun		50,000.04				50,000.04
Supervisors:						
Zheng Zhili						
Xiong Ting		233,825.60	33,032.64	9,600.00	14,489.49	290,947.73
Dai Xiaoyi		169,025.75	24,183.96	8,622.00	10,659.64	212,491.35
Liu Jun		106,621.50	17,229.96	6,726.00	7,800.81	138,378.27
Total		659,472.97	74,446.56	24,948.00	32,949.94	791,817.47

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments (Continued)

Items	Fees	Wage, bonus, allowance, and subsidy	Preceding period comparative		Total
			Endowment insurance premium	Housing fund	
Executive directors:					
Zhang Xiaocheng					
Wang Micheng					
Wang Feng					
Han Shu					
Xu Liying					
Fan Xu					
Independent non-executive directors:					
Cai Sicong		50,000.04			50,000.04
Xiao Xiaozhou		50,000.04			50,000.04
Lin Zulun		50,000.04			50,000.04
Supervisors:					
Zheng Zhili					
Xiong Ting		173,861.55	24,830.96	9,600.00	219,862.65
Dai Xiaoyi		127,283.19	18,483.44	7,038.00	161,041.72
Total		451,144.86	43,314.40	16,638.00	530,904.49

7. Five highest paid employees

The five employees whose emoluments were the highest for the year include 0 (2016: 0) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5 (2016: 5) employees during the year are as follows:

Items	Number of individuals (2017)	Number of individuals (2016)
HK\$ nil–HK\$1 million	5	5

8. The Company purchases goods from Hangzhou Honyar Electrical Co., Ltd., Sumitomo Electric Industries and Ltd. and Sumitomo Electric Asia Ltd.; the Company sales goods to China Potevio Company Limited and Chongqing Taishan Cable Co., Ltd.; those related party transactions mentioned above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Reports of the Directors.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	93,192.96	93,192.96	93,192.96	93,192.96
Accounts receivable	China Potevio Company Limited	42,233,063.23		11,698,366.06	
Accounts receivable	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23
Accounts receivable	Chengdu Bada Connector Co., Ltd.	88,912.03			
Accounts receivable	Chongqing Taishan Cable Co., Ltd.	249,178.73			
Accounts receivable	Chengdu Huangshishuangfeng Cable Co., Ltd.	3,416,171.88			
Accounts receivable	Putian Fasten Cable Telecommunication Co., Ltd.			2,753,034.81	
Subtotal		46,385,410.06	398,084.19	14,849,485.06	398,084.19
Advances paid	Sumitomo Electric Asia Ltd.	718,900.36		1,261,692.79	
Advances paid	China Potevio Company Limited	78,300.00			
Advances paid	Hangzhou Honyar Electrical Co., Ltd.	21,293,666.17		15,090,449.79	
Advances paid	Hangzhou Honyar Trade Co., Ltd.	4,698,187.24			
Subtotal		26,789,053.77		16,352,142.58	
Other receivables	China Potevio Company Limited	2,452,740.84		1,522,740.84	
Other receivables	Chengdu Bada Connector Co., Ltd.	10,212,371.31		10,520,502.79	
Other receivables	Chongqing Taishan Cable Co., Ltd.	496,822.86		496,822.86	
Other receivables	Chengdu Huangshishuangfeng Cable Co., Ltd.	496,822.86		496,822.86	
Other receivables	Chengdu Yuexin Telecommunications Materials Co., Ltd.	4,568.95		51,722.43	
Other receivables	Putian Intelligent Lighting Research Institute Co., Ltd.	5,564,655.38	556,465.54	7,906,650.54	
Other receivables	Putian Fasten Cable Telecommunication Co., Ltd.	1,855,990.64		2,171,013.16	
Subtotal		21,083,972.84	556,465.54	23,166,275.48	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	Chengdu Bada Connector Co., Ltd.	23,236,034.91	12,479,056.19
Accounts payable	Chengdu Yuexin Telecommunications Materials Co., Ltd.	3,134,113.95	2,444,645.31
Accounts payable	Sumitomo Electric Asia Ltd.	27,877,989.45	24,599,543.75
Accounts payable	Sumitomo Electric Industries, Ltd.	393,228.16	
Accounts payable	Chongqing Taishan Cable Co., Ltd.		9,000,000.00
Accounts payable	Hangzhou Honyar Cable Co., Ltd.	106,893.69	
Accounts payable	Hangzhou Honyar Electrical Co., Ltd.	122,822.80	
Accounts payable	Hangzhou Honyar Trade Co., Ltd.	3,531,999.14	
Accounts payable	Chengdu HuangshishuangfengCable Co., Ltd.	8,121,852.90	
Subtotal		66,524,935.00	48,523,245.25
Other payables	Sumitomo Electric Industries, Ltd.	211,887.01	154,313.62
Other payables	Chengdu Yuexin Telecommunications Materials Co., Ltd.	100,000.00	
Other payables	Putian Intelligent Lighting Research Institute Co., Ltd.	100,000.00	
Other payables	Hangzhou Honyar Electrical Co., Ltd.	61,917.96	
Subtotal		473,804.97	154,313.62

XI. SIGNIFICANT COMMITMENTS

Signed contracts of investments to other entities to be implemented or not completely implemented and relevant financial expenditures.

The Company has signed an equity acquisition agreement with the Jindu community residents committee of Xi Hanggang subdistrict office in Shuangliu district on 29 December 2017. The Company intends to pay 19.5 million to acquire 33.33% shares in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant of the Jindu community residents committee of Xi Hanggang subdistrict office in Shuangliu district. The price has not yet been paid by the end of the term.

XII. EVENTS AFTER THE BALANCE SHEET DATE

On 2 January 2018, the Company releases the announcement that the Company intends to pay 19.5 million yuan to acquire 33.33% shares in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant of the Jindu community residents committee of Xi Hanggang subdistrict office in Shuangliu district. The Company paid 9.75 million yuan for the share acquisition on 8 February 2018, and the rest price will be paid within 7 days after completing the procedure of the share acquisition and the change of industrial and commercial registration. At present, the Company actively deals with the related procedures.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis and accounting policies for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on products.

2. Financial information of reportable segments

Items	Closing balance/current period cumulative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	287,231,983.21	366,375,903.97	635,208.71
Cost of main operations	273,495,945.02	215,468,318.24	413,838.44
Total assets	1,089,058,722.05	378,125,665.17	102,337,249.13
Total liabilities	180,852,150.80	75,189,355.51	85,360,084.30

Items	Closing balance/current period cumulative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	90,911,776.51	16,092,611.33	729,062,261.07
Cost of main operations	93,474,749.79	26,188,508.15	556,664,343.34
Total assets	11,279,798.01	206,855,663.89	1,373,945,770.47
Total liabilities	7,390,506.46	46,734,017.22	302,058,079.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

2. Financial information of reportable segments (Continued)

Items	Opening balance/preceding period comparative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	222,999,736.74	1,018,941,097.55	1,005,765.72
Cost of main operations	213,401,446.85	798,754,183.38	1,144,595.48
Total assets	1,067,271,208.95	296,077,305.31	117,769,344.04
Total liabilities	129,465,048.94	71,328,983.08	108,991,495.56

Items	Opening balance/preceding period comparative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	79,945,399.28	11,956,579.66	1,310,935,419.63
Cost of main operations	79,373,577.25	16,936,057.88	1,075,737,745.08
Total assets	34,715,967.81	208,369,323.42	1,307,464,502.69
Total liabilities	18,034,280.88	38,293,762.37	289,526,046.09

(II) Other financial information

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	668,755,327.27	395,404,231.21	598,252,427.74	392,032,336.31
Total assets less current liabilities	1,143,697,111.23	872,600,303.02	1,093,012,318.20	897,089,717.65

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	98,818,797.55	83.69	21,397,354.59	21.65	77,421,442.96
Receivable of individually insignificant amount but with provision made on an individual basis	19,254,656.70	16.31	19,254,656.70	100.00	
Total	118,073,454.25	100.00	40,652,011.29	34.43	77,421,442.96

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	87,563,664.14	82.56	18,195,472.63	20.78	69,368,191.51
Receivable of individually insignificant amount but with provision made on an individual basis	18,499,628.06	17.44	18,499,628.06	100.00	
Total	106,063,292.20	100.00	36,695,100.69	34.60	69,368,191.51

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	58,360,834.52		
1-2 years	10,684,128.63	1,068,412.86	10.00
2-3 years	13,057,900.71	3,917,370.21	30.00
3-5 years	1,521,810.83	1,217,448.66	80.00
Over 5 years	15,194,122.86	15,194,122.86	100.00
Subtotal	98,818,797.55	21,397,354.59	21.65

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	52,841,475.38		
1-2 years	17,110,809.56	1,711,080.96	10.00
2-3 years	1,544,935.00	463,480.50	30.00
3-5 years	227,665.13	182,132.10	80.00
Over 5 years	15,838,779.07	15,838,779.07	100.00
Subtotal	87,563,664.14	18,195,472.63	20.78

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(2) Age analysis

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	58,360,834.52		
1–2 years	10,684,128.63	1,068,412.86	10.00
2–3 years	13,057,900.71	3,917,370.21	30.00
3–5 years	1,521,810.83	1,217,448.66	80.00
Over 5 years	34,448,779.56	34,448,779.56	100.00
Total	118,073,454.25	40,652,011.29	34.43

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	52,841,475.38		
1–2 years	17,110,809.56	1,711,080.96	10.00
2–3 years	1,544,935.00	463,480.50	30.00
3–5 years	227,665.13	182,132.10	80.00
Over 5 years	34,338,407.13	34,338,407.13	100.00
Total	106,063,292.20	36,695,100.69	34.60

The credit terms granted to customers are generally 1 to 12 months. Accounts receivable that past due are reviewed by Management on a regular basis.

(3) Provisions for bad debts made, collected or reversed in current period

Provision for bad debts made in current period totaled RMB3,956,910.60, and reversed in current period totaled RMB0.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Telecom Company Limited	25,585,818.17	21.67	
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	6,942,329.67	5.88	
Zhuzhou CRRC Times Electric Co., Ltd.	6,306,334.35	5.34	
Chongqing Putaifeng Aluminium Co., Ltd.	5,972,000.00	5.06	597,200.00
CSR Investment & Leasing Co. Ltd.	3,447,224.74	2.92	1,034,167.42
Subtotal	48,253,706.93	40.87	1,631,367.42

2. Other receivables

(1) Details

1) Details on categories of other receivables

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	Provision for bad debts	Provision proportion	
	Amount	% to total	Amount	(%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	66,758,518.22	94.13	23,741,468.87	35.56	43,017,049.35
Receivable of individually insignificant amount but with provision made on an individual basis	4,162,514.56	5.87	4,162,514.56	100.00	
Total	70,921,032.78	100.00	27,903,983.43	39.35	43,017,049.35

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

1) Details on categories of other receivables (Continued)

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	70,539,734.95	94.74	23,170,358.21	32.85	47,369,376.74
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	5.26	3,913,573.65	100.00	
Total	74,453,308.60	100.00	27,083,931.86	36.38	47,369,376.74

2) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	37,943,700.74		
1-2 years	5,594,933.16	559,493.32	10.00
2-3 years	53,781.24	16,134.37	30.00
3-5 years	1,309.52	1,047.62	80.00
Over 5 years	23,164,793.56	23,164,793.56	100.00
Subtotal	66,758,518.22	23,741,468.87	35.56

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	47,319,833.54		
1-2 years	53,781.24	5,378.12	10.00
2-3 years	1,309.52	392.86	30.00
3-5 years	1,117.09	893.67	80.00
Over 5 years	23,163,693.56	23,163,693.56	100.00
Subtotal	70,539,734.95	23,170,358.21	32.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

- (2) Provisions for bad debts made, collected or reversed in current period.

Provision for bad debts made in current period totaled RMB820,051.57, and reversed in current period totaled RMB0.

- (3) *Other receivables categorized by nature*

Nature of receivables	Closing balance	Opening balance
Deposit as security	4,916,324.75	4,932,324.75
Call loans	15,000,000.00	29,376,726.75
Temporary advance payment receivable	51,004,708.03	40,144,257.10
Total	70,921,032.78	74,453,308.60

- (4) *Details of the top 5 debtors with largest balances*

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Chengdu Zhongling Radio Communications Co., Ltd.	Call loans, temporary advance payment receivable	23,008,098.55	Within 1 year	32.44	
Chengdu Bada Connector Co., Ltd.	Call loans, temporary advance payment receivable	10,212,371.31	Within 1 year	14.40	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	11.83	8,391,138.00
Putian Intelligent Lighting Research Institute Co., Ltd.	Temporary advance payment receivable	5,564,655.38	1-2 years	7.85	556,465.54
Tianyun Technology (Suzhou) Co., Ltd.	Deposit as security	4,786,324.75	Over 5 years	6.75	4,786,324.75
Subtotal		51,962,587.99		73.27	13,733,928.29

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

3. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	166,140,969.81	7,480,000.00	158,660,969.81	166,140,969.81		166,140,969.81
Investments in associates and joint ventures	129,596,625.31	125,903.35	129,470,721.96	120,913,273.96	125,903.35	120,787,370.61
Total	295,737,595.12	7,605,903.35	288,131,691.77	287,054,243.77	125,903.35	286,928,340.42

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	15,013,376.15			15,013,376.15		
Chengdu Zhongling Radio Communications Co., Ltd.	72,702,773.95			72,702,773.95		
Chengdu SEI Optical Fiber Co., Ltd.	70,424,819.71			70,424,819.71		
Chongqing Putaifeng Aluminium Co., Ltd.	8,000,000.00			8,000,000.00	7,480,000.00	7,480,000.00
Subtotal	166,140,969.81			166,140,969.81	7,480,000.00	7,480,000.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

3. Long-term equity investments (Continued)

(3) Investments in associates and joint ventures

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Telecommunications Cable Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,769,025.55			343,465.01	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,485,330.88			713.75	
Putian Fasten Cable Telecommunication Co., Ltd.	114,533,014.18			8,339,172.59	
Total	120,913,273.96			8,683,351.35	

Investees	Changes in other equity	Increase/Decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/ profit declared for distribution	Provision for impairment	Others		
Associates						
Chengdu Telecommunications Cable Factory					125,903.35	125,903.35
Chengdu Bada Connector Co., Ltd.					5,112,490.56	
Chengdu Yuexin Telecommunications Materials Co., Ltd.					1,486,044.63	
Putian Fasten Cable Telecommunication Co., Ltd.					122,872,186.77	
Total					129,596,625.31	125,903.35

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

3. Long-term equity investments (Continued)

(4) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	288,131,691.77	286,928,340.42
Total	288,131,691.77	286,928,340.42

(II) Notes to items of the parent company income statement

1. Operating revenue/cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	190,602,018.34	184,735,345.42	185,646,953.73	177,421,723.47
Revenue from other operations	45,213,476.40	28,801,868.84	30,913,999.69	19,865,399.39
Total	235,815,494.74	213,537,214.26	216,560,953.42	197,287,122.86

2. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	23,543,075.69	26,756,053.26
Depreciation and amortisation	8,719,725.49	7,646,485.75
Business entertainment	277,283.54	212,860.46
Office and travelling expenses	1,707,759.30	791,265.43
Research and development costs	1,782,369.75	4,323,160.61
Taxes		801,655.66
Agency fee	587,689.91	411,763.54
Repairs and maintenance	930,751.69	1,882,818.83
Water and electricity	464,495.71	1,254,323.82
Others	3,884,407.21	5,486,872.12
Total	41,897,558.29	49,567,259.48

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the parent company income statement (Continued)

3. Investment income

(1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	8,683,351.35	6,481,461.82
Gains on disposal of long-term equity investments		3,676,500.00
Investment income from long-term equity investments under equity method	18,000,000.00	8,084,580.60
Total	26,683,351.35	18,242,542.42

(2) Investment income from investments in unlisted company and listed company

Items	Current period cumulative	Preceding period comparative
Investment income from unlisted companies	26,683,351.35	18,242,542.42
Subtotal	26,683,351.35	18,242,542.42

XV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss of current period

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	-2,525,745.35	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	20,434,061.40	
Fund possession charge from non-financial entities and included in profit or loss	746,966.04	
Other non-operating revenue or expenditures	-1,188,655.84	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	17,466,626.25	
Less: enterprise income tax affected	106,181.44	
Non-controlling interest affected (after tax)	5,564,536.37	
Net non-recurring profit or loss attributable to shareholders of the parent company	11,795,908.44	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS

1. Detail

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	3.27	0.08	0.08
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	2.00	0.05	0.05

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	30,325,354.80
Non-recurring profit or loss	B	11,795,908.44
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	18,529,446.36
Opening balance of net assets attributable to shareholders of ordinary shares	D	913,457,290.73
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	
Others Net assets increase due to changes in fair value of held-for-trading financial assets	I1	-2,524,777.95
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J1	6.00
Number of months in the reporting period	K	12.00
Weighted average net assets	$L = D + Ax1/2$ $+ ExF/K - GxH/K \pm IxJ/K$	927,357,579.16
Weighted average RONA	$M = A/L$	3.27
Weighted average RONA after deducting non-recurring profit or loss	$N = C/L$	2.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2017 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS (Continued)

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	30,325,354.80
Non-recurring profit or loss	B	11,795,908.44
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	18,529,446.36
Opening balance of total shares	D	400,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	$L=D+E+FxG/K-HxI/K-J$	400,000,000.00
Basic EPS	$M=A/L$	0.08
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	0.05

(2) Calculation process of diluted EPS

The calculation process of diluted EPS is the same with that of basic EPS.

Chengdu PUTIAN Telecommunications Cable Co., Ltd.

23 March 2018

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications Cable
Company Limited

LEGAL REPRESENTATIVE

Zhang Xiaocheng

EXECUTIVE DIRECTORS

Zhang Xiaocheng (*Chairman*)
Wang Micheng (*Vice Chairman*)
Han Shu
Xu Liying
Liu Yun
Fan Xu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mao Yaping
Xiao Xiaozhou
Lin Zulun

SUPERVISORS

Zheng Zhili
Xiong Ting
Liu Jun

COMPANY SECRETARY

Shum Shing Kei

QUALIFIED ACCOUNTANT

Yu Qian

AUTHORIZED REPRESENTATIVES

Wang Micheng
Shum Shing Kei

BOARD COMMITTEES

AUDIT COMMITTEE

Mao Yaping (*Chairman*)
Xiao Xiaozhou
Lin Zulun

REMUNERATION AND APPRAISAL COMMITTEE

Xiao Xiaozhou (*Chairman*)
Mao Yaping
Lin Zulun
Han Shu
Xu Liying

NOMINATION COMMITTEE

Lin Zulun (*Chairman*)
Mao Yaping
Xiao Xiaozhou
Liu Yun
Fan Xu

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng (*Chairman*)
Wang Micheng
Mao Yaping
Xiao Xiaozhou
Lin Zulun

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CORPORATE INFORMATION

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BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

SOCIAL CREDIT CODE

9151010020193968XY

PLACE OF LISTING OF H SHARES

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Chengdu, Sichuan Province,
The PRC

TIME OPEN FOR SHAREHOLDERS RECEPTION

On 8th and 18th every month (or the following day in case
of holiday in the PRC)
9:00 am to 12:00 noon
2:00 pm to 5:00 pm
Tel: (028) 8787 7008
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